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BRIEFS, BIBLIOGRAPHIES, DEBATES
STUDY OUTLINES OF TIMELY TOPICS

Vol. IV

No. 1

Government Regulation of the Coal Industry

ELIA E. JOHNSEN, Compiler

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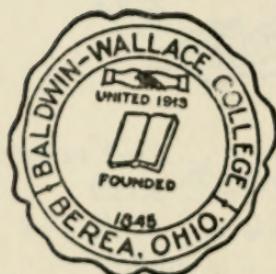
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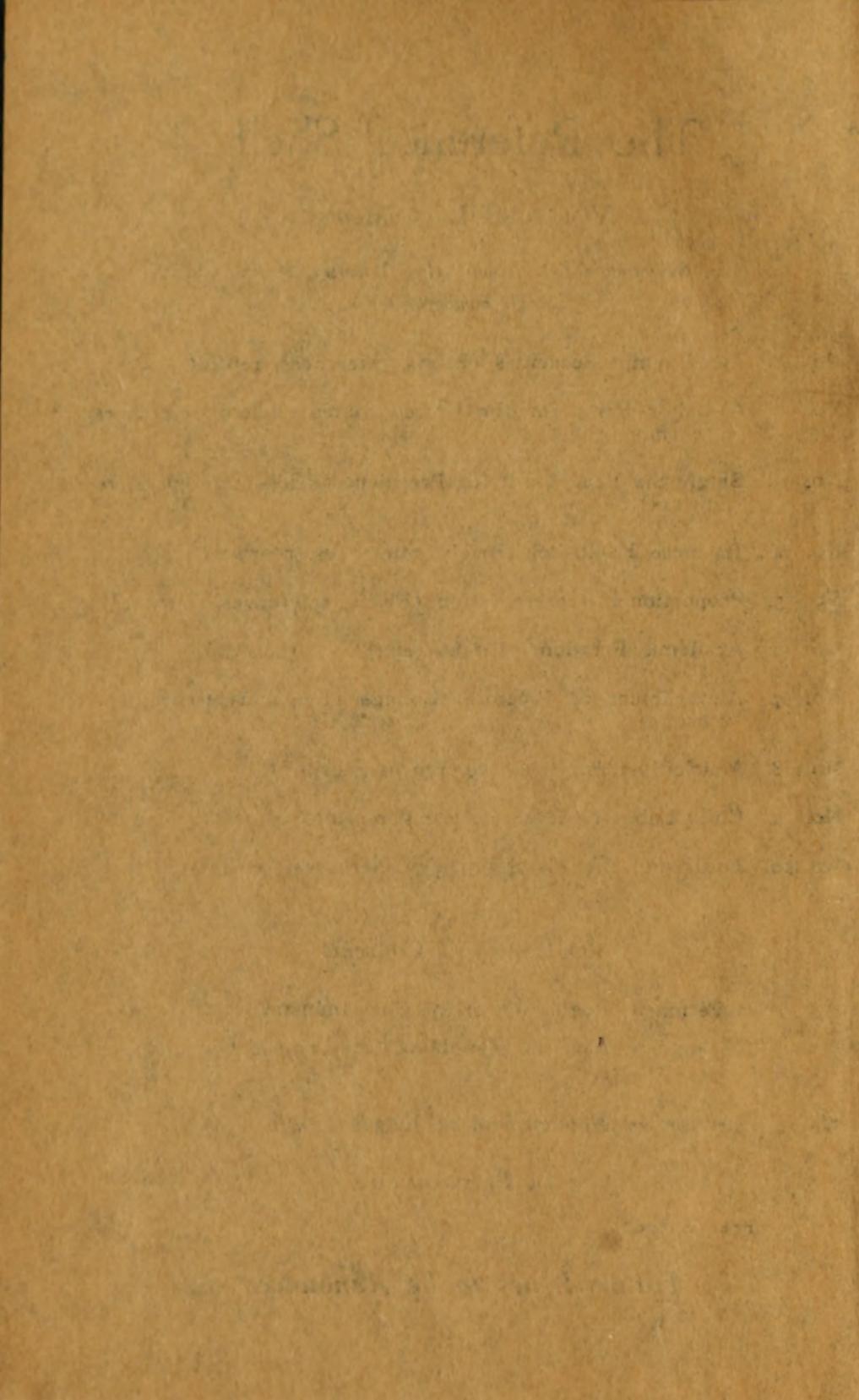
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THE REFERENCE SHELF

Volume IV

Number 1

**GOVERNMENT REGULATION
OF THE COAL INDUSTRY**

*(Supplementary to Handbook "Government Ownership
of Coal Mines")*

Compiled by

JULIA E. JOHNSEN

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INTRODUCTION

Recurrent demands have been made in late years for government regulation of the coal industry. These demands have been given particular stress by two late circumstances, the recommendations, in 1923, of the United States Coal Commission, and the anthracite coal strike of September 1, 1925 to February 16, 1926.

APR 28 '42
H. BACHELOR
The insistence of the long-suffering public upon the President and Congress for action in the recent strike led to the President asking, in his message to Congress, for authorization to deal with emergencies in the industry, and that the report of the Coal Commission be revived and acted upon; and led also to a number of bills being introduced into Congress. The leading proposals of the bills introduced, in addition to the emergency power requested by the President, were for a permanent fact-finding agency in the interests of publicity, a regulatory agency as, for instance, a coal division in the Interstate Commerce Commission, and the proposal for declaring coal a public utility thus facilitating its regulation in its present status. These proposals were likewise leading recommendations of the United States Coal Commission.

The more prominent of the bills introduced into Congress, in addition to the earlier Borah Bill S.2208 of January 24, 1924, were the Oddie Bill S.3, December 8, 1925, the Boylan Bill H.R.7560, January 13, 1926, and the Robinson Bill S.3029, February 6, 1926. These, as well as most of the other bills introduced, included in some form all or part of the leading proposals mentioned above. Part of the bills aimed to give effective relief in the then existing emergency, and part had in view a permanent and constructive plan of dealing with the industry after the emergency should have passed. State legislation was

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also attempted, in particular in Pennsylvania. While practically all the bills were still in committee the strike was settled by conciliation through intermediaries and further efforts to secure legislation were allowed to lag.

The agreement for peace in the anthracite field was arranged for a period of five years, while the existing agreement in the bituminous field is due to expire March 31, 1927. Unless constructive legislation shall be adopted in the interval the country faces a possible repetition of the conditions of strike, public loss and inconvenience, and governmental inaction, in the near future, as in the immediate past.

The present volume of the REFERENCE SHELF has been compiled to represent predominant views and legislative tendencies growing out of the late controversy and the recommendations of the late Coal Commission—the plan of governmental regulation as opposed to the view of non-governmental interference in business. It follows the customary plan of presenting brief, bibliography, and reprints arranged in general, affirmative and negative sequence. The bibliography is confined to the last few years, earlier years being covered by the handbook *Government Ownership and Operation of Coal Mines*. The requirements of debaters have been specifically considered in the compilation, but it is hoped the volume will furnish material of interest also to all other readers desiring a condensed summary of present problems and proposed reforms in the coal industry.

JULIA E. JOHNSEN

March 17, 1926

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BRIEF

RESOLVED: That Federal legislation for regulating the coal industry should be adopted, based on the leading recommendations of the United States Coal Commission.

INTRODUCTION

- A. The three specific recommendations which will be considered are:
 1. That a Coal Division of the Interstate Commerce Commission be created.
 2. That permanent fact-finding and dissemination of facts and recommendations be provided for.
 3. That in times of emergency or threatened stoppage of coal the President be given full authority to act.
- B. The issues are:
 1. Do conditions warrant Federal regulation of the coal industry?
 2. Is the proposed legislation desirable?
 3. Is it the best means of establishing needed reforms?

AFFIRMATIVE

- I. Conditions call for Federal regulation of the coal industry.
 - A. Recurrent and continuous abuses exist.
 1. Strikes, with their accompanying stoppage of production, serious inconveniences, losses, and hazards, are frequent.
 - a. They occur every few years in either the anthracite or bituminous fields.

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- b. They result in privation, suffering, danger to life, and in untold financial loss both within and without the mining field.
- 2. The condition of the industry is undesirable.
 - a. The bituminous field is largely in a disorganized and chaotic condition.
 - (1) It is overdeveloped and unstabilized.
 - b. Anthracite is a near-monopoly.
 - (1) Four-fifths of the output is controlled by ten companies.
- 3. The public interest is ignored.
 - a. The supply is subject to arbitrary control.
 - b. Prices are largely subject to profiteering through enormous profits, inflated valuations, high royalties, passing on of wage increases, etc.

B. Coal is a basic industry and public utility and therefore properly subject to supervision and regulation by the Federal government.

- 1. It is a public utility.
 - a. It supplies an indispensable service and affects public interest and the welfare of communities.
 - (1) It is one of the prime necessities of life.
 - (2) It is used by millions of people, forty million people in the eastern section of the United States being dependant upon anthracite alone.
 - (3) It enters into nearly every form of manufacture, agriculture, and commerce.

- (4) No adequate substitutes are available.
 - (a) Oil, water power, forests, etc. are limited.
 - (b) As a rule a change cannot be made on short order and without special equipment.
 - (c) The price is often prohibitive.
- b. It is on a par with other public utilities and should be regulated on principles that have been established as suitable for them.
 - (1) The nature of its service is similar to that of water, gas, electric and street car companies.
 - (2) It is carried on pursuant to a public privilege.
 - (3) In exercising the privilege of eminent domain in acquiring the property for railroad purposes the mine companies have themselves claimed to be providing a public necessity.
- c. Coal deposits should by right belong to the whole people and not to a part favored by special considerations.
- 2. Its mining, transportation, and distribution is, therefore, properly subject to supervision and regulation by the Federal government.
 - a. It has a national service to perform.
 - (1) Anthracite alone, mined only in Pennsylvania, is used in thirty-one states, 90 per cent of its production being so used.
 - b. The traffic is interstate.

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- C. There is need of adopting legislation formulating a national coal policy.
 - 1. No means now exist for enabling the Federal government to deal with the coal situation.
 - a. No existing legislation grants power of interference by Federal or state authorities, in times of strike.
 - (1) Congress and the President have both disclaimed authority to act without special legislation.
 - (2) Strikes can be settled only by agreements between miners and operators.
 - b. Legislation is widely demanded and favored.
 - a. In every crisis in the industry there have been appeals to the Federal government and the President to intervene.
 - b. The United States Coal Commission recommended legislation after nearly a year of careful and impartial study.
 - c. President Coolidge has twice asked, in his messages to Congress, that the recommendations of the Coal Commission be acted upon.
 - d. Numerous bills have been introduced in Congress and the state legislatures asking for the recognition of coal as a public utility, in order to empower interference, or for other emergency or permanent legislation.
 - 3. No constructive program has emerged out of all the past strife and it is due to all concerned that such legislation be enacted.

- a. Nothing has been done to permanently improve conditions or to prevent a recurrence of past crises.
- b. The present peace is ~~secure~~.
 - (1) It is only a patched-up peace.
- c. Legislation should be considered before another emergency comes upon us.

II. The proposed legislation would be desirable.

A. Responsibility for regulation would rest with a suitable agency.

- a. Responsibility would be centralized under a division of the Interstate Commerce Commission.
 - a. Some of the remedies needed are already under the jurisdiction of this commission.
 - (1) Freight rates, car service, etc.
 - b. Questions of effective action call for cooperation with this commission.

B. The establishment of continuous fact-finding is highly important.

- 1. Official and up-to-date information concerning profits, prices, and other relevant items is essential.
 - a. For the development of the public policy.
 - b. To secure fair treatment and protect the public.
 - c. As a foundation for preventing strikes.
- 2. Full facts have not heretofore been available.
 - a. Operators have never permitted a thorough examination of their books.

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(1) They have supplied what they have considered essential and necessary.

3. Fact finding would be in line with good precedent.

- It would be an extension of the inquiry already carried on by the Geological Survey, the Bureau of Mines, and the United States Coal Commission.
- It is as much warranted as publicity of railroad facts.

C. Emergency power for the President to intervene in case of stoppage or threatened stoppage of production is essential and desirable.

- The power to temporarily take over and operate the mines or take other measures required for ending strikes is primarily a measure for public protection.
 - It is a pitiful situation that the government should be less powerful than a portion of industry and unable to intervene to protect the general welfare.
- With such potential power held by the President it is likely the parties in dispute would to a large extent come to terms of themselves.

D. The proposed supervision and regulation would result in constructive and beneficial conditions.

- It would establish fair trade practices, reform distribution methods, check waste and overdevelopment and conserve the coal supply.
- It would not unduly interfere with business.

- a. It would establish cooperation with the operators.
 - (1) The main responsibility would continue to rest with the industry itself.
 - (2) Properties of companies and a fair return upon them would be amply protected.
- a. It would only coordinate the industry and enable it to function in the public interest.
3. It would be of benefit to the miners.
 - a. Preserve the gains they have made in the past, and provide for further betterment.
 - b. It would not infringe their liberty.
 - a. The union would be recognized as heretofore.
4. It would reestablish confidence on the part of the public.

III. The solution proposed is the best possible practicable solution.

- A. All other means fall short of being effective.
 1. State control is ineffective.
 - a. The states do not use the powers they have to correct abuses.
 - (1) Only leading coal states like Pennsylvania and West Virginia could affect conditions materially.
 - (2) Vested interests are too powerful to hope for attaining state reform.
 2. Interstate compacts would be inadequate.
 - a. They could only go part way.
 - b. They would primarily benefit the states forming them.

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3. Reforms from within the coal industry cannot be hoped for.
 - a. There is no reason for assuming it would be attained.
 - (1) In all the years the industry has operated it has not instituted the needed reforms.
 - (2) The desire for profits is inconsistent with through-going reforms.
4. Collective bargaining and arbitration are in themselves no panacea for the problems of the industry.
 - a. They do not protect the interests of the public.
 - b. They are subject to deadlocks.
 - c. Compulsory arbitration is objectionable.
 - (1) Miners distrust it and are unwilling to agree to it.
 - (a) Their confidence has been destroyed by previous arbitration experiences.
 - (b) They fear an arbitration board will act without full command of facts.
 - (c) They are unwilling to have wages arbitrated unless the whole industry is subjected to the same degree of regulation and arbitration.
 - x. It is unjust to arbitrate human rights without equivalent arbitration of property rights.

(2) Employers have found it unacceptable.

(a) Men such as Rockefeller Jr., Gary, etc. have refused to arbitrate when they considered it detrimental to the interests they represented.

(b) Anthracite carrying railroads refused to arbitrate in 1922 and later with the federated shopmen employed along their lines.

- B. There is no serious objection to the present plan.
- C. Some such plan is the only step short of nationalization.
 - 1. The country is not ready for this more radical step, but it will probably be required ultimately if the ills of the industry are not cured.

NEGATIVE

- I. There is no warrant for the proposed legislation.
 - A. There is present peace in the industry.
 - 1. In the anthracite field stability and continuity of production have been assured for the next five years.
 - 2. There is no indication that a new agreement may not be negotiated in the bituminous field after the expiration of the present agreement, without need for intervention.
 - a. This has always been possible in the past.
 - B. Coal is not a public utility.

1. It does not affect the public interest sufficiently to warrant supervision.
 - a. Its services are not indispensable to the health, comfort, and welfare of the people of the United States.
 - (1) Substitutes can and are being used.
 - b. It is not a monopoly.
 - (1) Coal is found in many states and is distributed among many owners.
 - (2) There are vast reserves still untouched.
 - (3) It cannot command a monopoly price.
 - (a) It is intensely competitive with other fuels and within itself.
- C. The public interest is not disregarded.
 1. Economic reasons operate against indifference to public welfare.
- D. It would be unjust and discriminatory to single out the coal industry for Federal regulation.
 1. There is no more reason for it than for similar regulation of other staple commodities and mining and industrial enterprises.
- E. Profits are not unreasonable.
 1. Occasional large profits are not representative of the industry as a whole.
 - a. Many companies cannot be carried on with smaller margins.
 - b. Profits vary from year to year and in poorer or richer veins.
 2. High prices are frequently caused by consumers who demand coal at any price, and by a few unscrupulous dealers.

II. The proposed legislation is undesirable.

- A. The hands-off policy of government in relation to business is best.
 - 1. The government should not interfere with business through a policy of regulation.
 - a. The functions of government are political and not economic.
 - b. It is antagonistic to individual initiative, efficiency and economy in the conduct of business.
- B. The particular means of action proposed are unnecessary and undesirable.
 - 1. They would confer too large powers.
 - a. Give opportunity for inquisition and endless amount of interference with industry.
 - (1) The right to investigate the ownership and title of mines and of all persons connected with the industry directly or indirectly.
 - (2) The right of price fixing and wage fixing.
 - (a) This would be unconstitutional, revolutionary, and take no account of economic laws of supply and demand.
 - (b) It would result in high, not lower prices,
 - x. The unevenness of mine costs and the most expensive collieries would tend to fix prices for all.
 - y. It would sacrifice the incentives that make

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for economy and substitute no better ones.

- z. It has failed to secure reasonable rates to people in other public utility service.
- (3) Give power to issue orders in regard to rents, royalties, standards, licenses, etc.
- (4) Power to impose additional regulation upon the railroads serving the industry.

b. A fact finding agency is unnecessary and undesirable.

- (1) The industry has already been subjected to repeated investigations and recommendations.
- (2) The industry itself can furnish facts called for with comparative ease.
- (3) Business should not be required to divulge its private affairs to government agents.
 - (a) Even the promise of secrecy is no certain protection, as seen in income tax publicity.

c. Emergency powers for the President are unnecessary and undesirable.

- (1) If he desires he can act without additional authority.
 - (a) Roosevelt did so.
- (2) He would be subject to mediation demands in every future labor dispute, and this is not his function.

C. Regulation is objectionable in other ways, and of no positive good.

1. It is ineffective and does not promote the real interests of the workers and the public.
 - a. Workers are generally at a disadvantage in regulated industries.
 - b. Regulatory bodies tend more to protect the interests of the companies than of the public.
2. It would involve the government in tremendous expense.
3. It would mean a long step toward nationalization.

III. Other desirable and practicable means of adjustment and reform are available without the necessity of the proposed legislation.

- A. We already have means of reaching some of the specific phases of the problem.
 1. The Interstate Commerce Commission can regulate all matters relating to the transportation of coal.
 2. Voluntary mediation and conciliation can be called by the President or the Labor Department with the probability that it will be acted upon.
 3. The use of coal substitutes by consumers is an effective remedy for profiteering.
- B. In many respects the industry can and should reform itself from within.
 1. Fundamental remedies rest with itself.
 - a. Greater efficiency, economies, elimination of industrial waste, distribution and transportation practices, extended engineering, wage contracts, storage, etc.

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2. Better cooperation should be secured between the industry, labor and the public, in the common interest.
3. Conditions are steadily improving.

C. Local or state legislation, when called for, will provide all needed regulation.

1. It will regulate more successfully than a more distant body.
 - a. It will regulate dealers' profits as well as miners' profits.

D. Arbitration or some plan having the essentials of arbitration should be required as a means of securing continuous peace.

1. The leading ills of the industry have been due directly or indirectly to strikes.
 - a. Interruption of supply.
 - b. High prices, because of excessive demands of labor, and competitive bids of consumers.
 - c. The working out of problems within the industry.
2. Arbitration is everywhere a recognized means of adjusting disputes.
 - a. Between nations.
 - b. In other trades.
3. It is the only way to prevent deadlocks when the parties in dispute disagree.
4. It should be required despite objection on the part of one party or another.

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ORGANIZATIONS

Anthracite Bureau of Information, 437 Chestnut St., Philadelphia, Pa.

Anthracite Operators' Conference, 437 Chestnut St., Philadelphia, Pa.

United Mine Workers of America, Merchants Bank Building, Indianapolis, Ind.

GENERAL DISCUSSION

COAL¹

The perennial conflict in the coal industry is still going on, to the great detriment of the wage earners, the owners, and especially to the public. With deposits of coal in this country capable of supplying its needs for hundreds of years, inability to manage and control this great resource for the benefit of all concerned is very close to a national economic failure. It has been the subject of repeated investigation and reiterated recommendation. Yet the industry seems never to have accepted modern methods of adjusting differences between employers and employees. The industry could serve the public much better and become subject to a much more effective method of control if regional consolidations and more freedom in the formation of marketing associations, under the supervision of the Department of Commerce, were permitted.

At the present time the national government has little or no authority to deal with this vital necessity of the life of the country. It has permitted itself to remain so powerless that its only attitude must be humble supplication. Authority should be lodged with the President and the Departments of Commerce and Labor giving them power to deal with an emergency. They should be able to appoint temporary boards with authority to call for witnesses and documents, conciliate differences, encourage arbitration, and in case of threatened scarcity exercise control over distribution. Making the facts public under these circumstances through a statement from an author-

¹ From message of President Coolidge to Congress. *Congressional Record*. Current. 67: 125. December 8, 1925.

itative source would be of great public benefit. The report of the last coal commission should be brought forward, reconsidered, and acted upon.

RECOMMENDATIONS OF THE UNITED STATES COAL COMMISSION¹

GOVERNMENT ACTION: FEDERAL, STATE AND LOCAL

1. The commission recommends to the Congress and the President: Continuous fact finding, publicity and regulation of the coal industry, both bituminous and anthracite, through use of the powers of the Federal government over interstate commerce. Like the railroads, the coal industry is to report to a public authority, and the commission insists that the public interest places limitations on the rights of owners of coal lands, operators, mine workers, carriers and dealers.
2. As the administrative agency through which these powers are to be exercised it recommends the creation of a coal division in the Interstate Commerce Commission. The proposed coal division is to correct abuses, to collect information, and to act in emergencies as Federal Fuel Distributor.
3. The commission recommends Federal licensing of those who buy or ship coal in interstate commerce.
4. It recommends a Federal tax on royalties and differential profits.
5. It recommends the adoption of a standard uniform ton. At present, of course, both the long ton of twenty-two hundred and forty pounds and the short ton of two-thousand pounds are in use.
6. The commission further recommends that the Interstate Commerce Commission reexamine differential railway freight rates with a view to (a) the promotion of

¹ By Edward Eyre Hunt, secretary, the United States Coal Commission. *Annals of the American Academy*, 111: 249-55. January, 1924.

coal movement by water, (b) the discouragement of the long haul by rail.

7. It recommends modification of the rules governing distribution of railroad cars in periods of shortage so as to give consideration to the commercial ability of the producer to sell coal rather than to mere ability to produce and load it into cars.

8. It recommends that contract coal be given precedence over spot coal deliveries.

9. It recommends that the government, as administrator of fifty million acres of coal lands, amend the leasing laws so as to restrict the opening of new bituminous mines.

10. It recommends that "Congress designate an agency to unite with the industry in continuing studies of unemployment" and "of the wage structure;" this agency serving as the medium of publicity for wage rate information and being prepared to make special compulsory investigations whenever there is a threat of failure to renew a wage agreement.

11. Continuous investigation and publicity as to labor relations with the possible resort to mediation at the instance of the President of the United States, is recommended.

12. Nationalization of the mines is not recommended.

13. Compulsory arbitration is not recommended.

14. Compulsory incorporation of the union is not recommended.

15. Price fixing by the government is not recommended.

16. The commission recommends the consolidation, grouping or pooling of bituminous mining operations, under such restrictions as are prescribed for railroads in the Transportation Act.

17. The commission recommends that the state and Federal government cooperate in inspection, revision of mining codes, supervision of compensation insurance and

safety education. It points out that the mining codes of some states are badly in need of revision.

18. It recommends that communities license retail coal dealers, organize cooperative associations, open municipal fuel yards, or in other ways, as they may see fit, deal with the problem of local distribution of coal.

ACTION BY OPERATORS AND UNITED MINE WORKERS

The recommendations of the commission as to "a wise and efficient policy by the government" are not by any means all that it has to offer. Indeed, in the opinion of the commissioners the recommendations to the industry are of equal if not of greater importance than those to the government.

19. To the industry the commission recommends a number of improvements in management methods: the development and efficient application of mechanical devices to replace hand loading; better control and coordination of underground operations, particularly cutting, loading and haulage; standardization and coordination of the work of the individual mine worker; standardization of details of construction and dimensions of mine-cars, locomotives, track and all other equipment; and multiple shifting of work in the mines and preparation plants.

20. The commission calls special attention to the British wage plan as a method for furthering the common interest of miners and operators in continuous operation; a plan which provides that miners and owners share the profits of the business in defined proportions.

21. Betterment of living conditions is also emphasized as a field for cooperative effort of miners and operators.

22. Organized effort by both parties is recommended in studying the problem of unemployment; the wage rate structure and its relation to the different jobs in the mines; and the perfection of machinery for settling disputes through conciliation.

23. Voluntary arbitration is stressed.

24. To the operators obvious improvements in personnel management, training of foremen, centralized responsibility for labor relations, and more effective organization of operators to deal with labor relations, including the appointment of district and national labor commissioners to work out a national labor policy, are recommended.

25. Collective bargaining to work out a system of national negotiation with district agreements is recommended.

26. The check-off is not recommended.

27. Complete unionization is not recommended.

INDIVIDUAL ACTION

28. Consumers, large and small, are urged to buy for regular delivery on contract and to store coal. Thrift in the use of coal is recommended, as well as wider use of technical information relative to fuel economy.

29. The wider use of substitutes for anthracite is recommended.

BASIC PRINCIPLES

The more important recommendations of the commission rest on two propositions. First is the proposition that coal is clothed with a public interest and that the production and transportation of coal constitute a single service, since coal is not mined until the railroad car for its transportation is at the mine. Coal is not primarily a commodity, then: it is a service. The type of government regulation which is recommended rests on this basic proposition.

This point of view runs counter to the belief of many operators and business men in other fields who hold that such an assumption disregards the facts as well as the spirit of American institutions, and that interference with the coal business foreshadows interference with other branches of business. They point to recent court de-

cisions and to one of the *obiter dicta* of the Supreme Court in the decision affecting the constitutionality of the Kansas Industrial Court, where the mining operator and the miner are lumped with the butcher, the baker, the tailor and the wood chopper.

They can also point to the defeat of the Calder and Frelinghuysen bills in 1921 which was due to the fear of business men that regulation of coal meant regulation of general business.

Regulation in the present instance will not be accomplished without a conflict.

The second proposition is that the coal industry can reform itself. An important element of the United Mine Workers of America and a section of the general public do not believe this. District No. 2 of the Mine Workers contend officially that only government ownership and operation of the mines will reform the industry, and however half-hearted may be the support of this program by the present leaders of the Miner's Union, it will probably continue to be an issue and to affect public thinking on the subject of coal regulation.

A COAL DIVISION IN THE INTERSTATE COMMERCE COMMISSION

The Coal Commission, as I have indicated, proposes the creation of a new division in an existing governmental agency. The proposal also emphasizes the fact that the key to coal is transportation.

Under the proposed plan the Geological Survey will continue to classify and value the public coal lands, and to compile figures on coal production, consumption and commercial stocks on hand. The Bureau of Mines will continue its investigations in mining technology, mining safety, fuel economy, quality of coal and the administration of government leases. The Bureau of the Census will continue its work in the biennial Census of Manufactures and the General Census of population, while the Public Health Service will investigate sanitary conditions.

Information on costs, sales realization, margins of profit, wage rates, earnings of miners and a wide range of economic and engineering facts of the sort which the United States Coal Commission has collected, the Coal Division in the Interstate Commerce Commission will be empowered to collect and to publish. It will be empowered to secure data from other government bureaus.

Finally, it will act in emergencies as Federal Fuel Administrator, subject to the direction of the President.

SOME ASPECTS OF REGULATION

The commission defines the function of the government as that of supervision with substantial powers of regulation, and adds:

This may be regarded as the characteristically American and constitutional method of dealing with such a national problem as is now presented in the coal industry.

The commission's proposals are intended to increase rather than to decrease the sense of responsibility within the industry.

Extraordinary emphasis is laid on the value to the industry of such investigations as the commission has pursued, and of such as the miners, the operators and certain other bodies have made during the past year, either in supplementing the commission's investigations or in duplicating them.

Complete publicity through a Federal agency with power to compel reports and to prescribe their form, is the basic recommendation in this section.

The commission also recommends the levy of a graded tax on royalties and differential profits. It points out that this will not lower the price of coal to the consumer, but that it will secure a public revenue without increasing the price of coal.

Taxes falling lightly on the low-profit operator and more heavily on the high-profit operator in proportion to his ability to pay will benefit the consumer indirectly through lightening the tax burden elsewhere. . . .

It shows further that the present sales tax levied by the state of Pennsylvania on anthracite coal gives no protection, and is passed on to the consumer in the form of higher prices. An excess profit tax, however, would not be added to the price of coal, and thus would not be levied on the consumer, as it would fall only on those operators who have differential advantages. Limitation of margins to a reasonable return on legitimate investment and elimination of monopoly profits whether found in the form of royalties, of operators' and dealers' margins, and of freight rates, are recommended.

In the case of bituminous coal, where, of course, the natural monopolistic conditions characteristic of anthracite do not obtain, the recommended regulation is primarily based on the granting and withholding of transportation service. Following a suggestion of the commission, the Interstate Commerce Commission has recently denied to a railroad the right to put in a siding and to furnish cars and transportation to a prospective mine on the ground that the car supply of the railroad is inadequate and that the bituminous coal industry is over-developed.

Finally, the most convenient and practicable method of exercising regulatory powers through a Coal Division in the Interstate Commerce Commission appears to the United States Coal Commission to be the licensing of all who ship coal from one state to another or who buy and sell in interstate commerce whether as operators, wholesalers or jobbers. Necessarily there would be certain conditions attached to the granting of a license, and violation of these conditions would be cause for suspension or revocation.

A NATIONAL LABOR POLICY

The commission proposes that Congress designate an agency to unite with the industry in continuing studies of unemployment, as an effect of irregular operation, and studies of the wage structure, serving as a medium of

publicity for wage rate information in the non-union fields as well as of the other basic facts on which industrial relations depend. This means continuous investigation, bringing about such an exchange of information with management as will stimulate improving practice, and making the union constantly more heedful than it now is of its public responsibilities.

Continuing investigation would be accompanied by timely and discriminating publicity. Progress in the improvement of management, and the effectiveness of agencies which management might employ to bring about better labor relationships would need to be reported, as well as the workings of the adjustment machinery, and the progress of the union in maintaining discipline and in meeting responsibilities under agreements.

The commission recommends that all agreements between operators and union contain a clause which would provide for their automatic renewal, except as to such provision as one party or the other may have given ninety days' notice in advance of the date of terminating the agreement. In case of a failure to agree, a report to the President should be made not later than sixty days before the expiration of the agreement; and if with such continuous investigation and publicity a disagreement should still be carried to the point of threatening a stoppage of work, the commission then recommends that a special report be made to the President of the United States, who shall designate a person or persons to inquire into the situation and to make to him a special report and award on or before the date of expiration of the agreement. The commission points out that the award could be made public or not, as the President would deem wise.

THE BRITISH WAGE PLAN

At least one of the important recommendations is apt to attract too little attention. It is the recommendation

to the industry relative to the British wage plan. The commission says:

Part-time operation which causes increased costs to the operators . . . at the same time cuts in half the miners' earnings. This common interest in continuous and successful operation finds a concrete expression in the present British wage agreement, which provides that miners and owners share the profits of the business in defined proportions, the profits being figured not on a single mine, but on the whole district.

The British wage agreement can hardly be summarized in a paragraph. It provides for audits of the operators' books and profit sharing. From the aggregate bill of wages of the district is deduced a standard wage which represents the rates in July, 1914, with certain increases. Seventeen per cent of the amount of the standard wages constitutes the standard profits of the owners, and after deducting the standard wages, the standard profits and the costs of production other than wages from the gross proceeds of the district, the surplus is divided in the proportion of 83 per cent to wages and 17 per cent to profits. The standard wages and the share of the surplus apportioned to wages gives a percentage of the basic rates which constitutes the rate of wages payable during the next pay period.

If in any period the proceeds have been insufficient to meet the standard profits, the deficiency is carried forward as a first charge against any surplus in subsequent periods.

COAL CONTRACTS AND COAL STORAGE

Emphasis is laid on the necessity of making binding contracts, so that every tonnage contract is recognized as a fixed obligation on the part of the seller to ship and the buyer to accept the coal called for in the contract, unless prevented by causes definitely stated in the contract, which are beyond the control of the parties.

The commission finds that consumers of coal, large and small, are responsible to no small degree for the bad

functioning of the industry. Peak demand for coal involves a peak demand for coal transportation, and this cannot be met except by an expansion of rail equipment and facilities. The commission states:

Regular, systematic, large-scale storage of bituminous coal by consumers during the seasons of low consumption is the public's largest opportunity and responsibility in solving the coal problem.

To this vital subject the Federated American Engineering Societies are now giving their attention, and a comprehensive report, utilizing the findings of the Coal Commission, will be available this winter, exhaustively treating the chemical, engineering and economic problems involved in large-scale coal storage.

I have emphasized the unity rather than the diversity of the aspects of the coal problem. The basic contrasts between the anthracite and bituminous industries are large, and the Congress took account of that fact in requiring of the Coal Commission a separate report on anthracite. The commission was continually and duly impressed with the variety of conditions, not simply as between the hard and the soft coal industries, but as between the widely scattered and multifarious forms in which soft coal is found and exploited.

But there is unity as well as variety in the problem of coal, and any change in public policy toward this problem must be a united and consistent change. Such a change can be brought about only by persistent thought and unified effort.

The coal problem will not be solved in a month or a year, or even in several years. It will not be solved by panaceas or nostrums. That is the lesson of the work of the United States Coal Commission. And if you, the public, do not understand and act and continue to understand and act, and to make the Congress and the industry act, the collection of facts and the making of recommendations are vain things.

INTERVENTION AND THE COAL SITUATION¹

From the statements of President Coolidge and Secretary Hoover it is apparent that the administration contemplates taking no action in connection with the threatened anthracite coal strike. Because we are convinced that such preparations as are being made by Governor Fuller of Massachusetts, and which we discuss elsewhere in this issue, will extend the use of substitutes for anthracite and will materially hasten an agreement between operators and miners, we are in sympathy with the attitude of the administration. At the same time, there is always the possibility of a long strike involving great hardships to the householder who cannot utilize or procure adequate substitutes, in which event, public pressure would force governmental action. It is very pertinent, therefore, to review the actions taken during the last twenty-five years by succeeding Presidents by way of intervention in coal strikes.

The first important case in which a President took a leading part in attempting to mediate a labor controversy was that which led in October, 1902, to the appointment of the Anthracite Coal Strike Commission by President Roosevelt.

The strike called in the anthracite fields May 12 had been in progress nearly five months when the President decided to act. He had been notified by the governor of Massachusetts and the mayor of New York that "if the coal famine continued, the misery throughout the northeast and especially in the great cities, would become appalling and the consequent public disorder so great that frightful consequences might follow."

The President invited the miners and operators to meet him at the White House, October 3. He had no legislative authority for this or any other of his steps in connection with the 1902 strike.

¹ From *Independent*. 115: 229-30. August 29, 1925.

The first conference resulted in failure, and the President was bitterly criticized by the public. After the break-up of this conference, and with the coming of colder weather, Roosevelt was urged to seize the mines under the power of eminent domain or for the purpose of protecting public health; to send troops into Pennsylvania to break the strike, upon the pretext of protecting government property, and to bring suits against either or both the operators and the miners under the Sherman Anti-Trust Act. These suggestions, he rejected.

Instead, President Roosevelt sent Secretary of War Root to confer with J. Pierpont Morgan at New York. Morgan obtained the consent of the operators to an arbitration agreement, but only after skillful diplomacy on the part of the President was the strike called off and the award accepted.

The five weeks' anthracite strike in 1912 was settled without President Taft's intervention. Mr. Taft had a more restricted theory of executive action than either his predecessor or his successor. There is no record of any case during the four years of his administration in which he used his powers or influence to prevent or settle a strike.

Before the 1913-14 Colorado miners' strike began, the Wilson administration sought to avert it by offering mediation. The act passed early in 1913, creating the Department of Labor, provided that "the Secretary of Labor shall have power to act as mediator and to appoint commissioners of conciliation in industrial disputes whenever in his judgment the interests of industrial peace shall require it to be done." The offer of mediation under this act was rejected by the operators.

In November, 1913, President Wilson proposed arbitration by an impartial board, threatening a congressional investigation of the abuses complained of by the miners. The operators doubted that President Wilson could obtain an investigation and rejected the proposal. Nevertheless,

an investigation was held and a report which was favorable to the miners was made in the spring of 1914.

In the meantime came the famous "Ludlow Massacre." Federal troops were appealed for and in April, President Wilson sent them on with orders not to allow any importation of strike breakers. He then made a new attempt at mediation by a commission which, late in the summer in 1914, formulated a "tentative basis of adjustment." This plan was submitted to both sides by President Wilson. It was accepted by the miners; rejected by the operators.

The President's final move was made November 30 when he appointed another commission to work out a new plan that might prove a basis for settlement. The strike collapsed while this commission was at work.

In September, 1919, before the war had been technically ended with Germany, demands for a 60 per cent wage increase and a six-hour day were adopted by the bituminous miners, and a strike was called for November 1. Two unsuccessful attempts to avert the strike were made by the Secretary of Labor.

On October 21, Attorney-General Palmer petitioned for an injunction restraining the United Mine Workers from carrying out the strike. The action was based upon section four of the Lever Act (a war measure) which made it unlawful to conspire or agree to limit facilities for transporting or producing food or fuel, or to restrict the supply or distribution of these commodities.

Three days later President Wilson made a public statement in which he pointed to the disastrous consequences that would inevitably follow the threatened strike and declared it to be "not only unjustifiable but unlawful." He called upon the officers of the United Mine Workers to withdraw the strike order and at the same time renewed his offer of arbitration.

The miners rejected the President's offer of arbitration and voted not to rescind the strike order. Two days

later Federal Judge Anderson at Indianapolis granted a temporary restraining order commanding eighty-four officers of the United Mine Workers to issue no orders in connection with the strike and restraining the payment of strike benefits.

This order apparently was without effect, for four-hundred and twenty-five thousand bituminous miners went on strike in accordance with previous instructions, tying up 75 per cent of the industry. On November 8 the court issued a new order directing the calling off of the strike before November 11. This order was complied with, but no resumption of mining took place.

New meetings of operators and miners were held in Washington during November and in December President Wilson issued a public statement again urging settlement with the 14 per cent advance in wages, which the operators were willing to grant. He promised a prompt investigation by an impartial commission of all questions not settled to the miners' satisfaction as soon as they returned to work.

On December 10, the President's proposal was accepted by the United Mine Workers and the strike was terminated. The promised commission was appointed on December 19. On March 10, 1920 it presented reports to the President. He accepted the majority report which gave an average increase of 27 per cent in the wages of all miners.

When the war-time agreements in the anthracite fields expired March 31, 1920, and operators and miners were unable to agree upon a new contract, it was decided, in order to avoid a strike, that work should continue under the existing agreement until a new one, retroactive to April 1, was signed.

This proposal was accepted by both sides, the commission submitted an award, and an agreement was signed September 3.

A general suspension of mining April 1, 1922, upon the expiration of the agreements in the anthracite and bituminous fields was foreseen by President Harding in October, 1921. The President sought an understanding with President Lewis of the miners that work should be continued after April 1 until a new agreement had been signed, at least in the bituminous field. This proposal was refused.

No effort to end the resultant strike appears to have been made by the government until June 28 when the President invited the miners and operators to meet him at the White House July 1. This action was precipitated by the killings at Herrin, Illinois.

He urged the two to get together at once and they went into joint conference but their negotiations failed to produce any result. On July 10 President Harding again called them and proposed a basis of settlement. The President's plan called for an immediate resumption of operations under the terms of the old agreements, and the creation of a coal commission to make a thorough investigation of both industries. Within a limited period the commission was to hand down an award which should be binding upon both sides.

The anthracite operators accepted the plan. A majority of the bituminous operators accepted it "without reservation and qualification." The miners accepted that part calling for an investigation of the coal industry, but rejected the provision for arbitration. The President thereupon invited the operators "to return to your mine properties and resume operations." This was interpreted as a promise of military protection for all operators who would attempt to run their mines with strike breakers. A few Pennsylvania operators attempted to do so, but few workers could be found.

The bituminous strike was brought to an end August 15 by the signing of an agreement extending the terms of the old contract to March 31, 1923. President Harding

had meanwhile requested Senator Pepper to attempt a settlement in the anthracite fields. A new conference was called August 17, which broke up August 22, without result. Senators Reed and Pepper continued their efforts, however, submitting a plan for an extension of the old agreement to August 31, 1923, and providing for the appointment of a fact-finding commission by the President. This plan was accepted.

The chief business confronting President Coolidge when he became the head of the government in August, 1923, was the threatened strike in the anthracite fields, upon the expiration of the existing wage agreement, August 31.

On August 24, Governor Pinchot was asked to take hold of the anthracite situation. He called miners and operators together at Harrisburg.

United States Coal Commission experts were sent to Harrisburg. In Washington it was emphasized that the administration considered the anthracite situation a state problem, but was cooperating with Governor Pinchot in every way in his effort to bring about a settlement. In case the Governor's effort failed, it was stated that the President would follow the example of Presidents Roosevelt, Wilson, and Harding in calling the miners and operators to meet him.

The strike began September 1 and continued until a new agreement, granting a 10 per cent increase in wages, was signed at Harrisburg, September 18. The expiration of this agreement August 31 next is responsible for the present threat of a strike.

NATIONALIZATION OF COAL¹

No issue that will come before your honorable body more vitally concerns the well-being of the people of the

¹ Letter to Congress from the League for Industrial Democracy, New York. *Congressional Record* (current). 67: 789. December 19, 1925.

United States than the present chaos in coal. We respectfully submit that the time has come for definite legislative action and that the most effective legislative action will be a nationalization of the industry with due protection against the evils of inflated valuation in setting the purchase price and bureaucracy in administration.

Certainly any recommendation for "regional consolidation" is perfectly futile and shows complete disregard of our present and past experience with the anthracite industry, which is a regional consolidation. Such a plan as proposed by the President would turn the people of the country over to the tender mercies of a series of monopolies alike in every respect to the anthracite monopoly.

The situation in New York city is typical of that in the whole area dependent on anthracite coal. Our present state coal commission, like the state fuel administration in 1922 and 1923, is impotent to do more than give advice. In spite of it the price of anthracite has risen from \$14 to \$25 and \$30 a ton. Coke has gone from \$3 to \$18, and soft coal from \$6 to \$16. Of this outrageous profiteering the middlemen, even more than the producers, have been the beneficiaries. In this situation there has been an almost total bankruptcy of effective public leadership. Certain groups of private citizens have submitted peace plans, of which the plan of the committee on coal and giant power seems to have the most merit. Governor Pinchot's efforts for peace, we believe, still continue. But even if successful they will amount to a truce rather than a solution. The situation is one in which the nation can not afford to remain powerless.

Yet Senator Borah's bill providing for certain measures of public regulation has been violently denounced by the New York Chamber of Commerce and other similar bodies, which in turn propose nothing constructive for the relief of the people. In the name of business they are willing to let the facts of the essential coal industry be buried in profound secrecy as if the coal business were not inevitably the concern of the entire country.

The anthracite-coal industry is peculiarly ripe for nationalization. The anthracite miners in 1923 officially proposed a plan for the retirement of the capital by the industry itself. By the substitution of 6 per cent bonds for outstanding capital stock all existing capital could be retired in fifty years at a cost of 28 cents per ton, while the last official figures indicate a present cost for interest, profit, depletion, and depreciation of approximately \$1 a ton. The anthracite mine owners have within the last ten years levied against the public the sum of \$200,000,000 in inflated valuations, which is charged up against the cost of every ton of coal mined. One dollar in every three carried on their books is water, according to the figures of the Coal Commission. They will ask you to guarantee them a return on this inflation, although at the time its only excuse was to evade the excess-profits tax. Moreover, they are evidently planning to inflate the industry another \$400,000,000 as soon as they can. There is no warrant for these increased capital claims upon the industry other than the growth in population of the country. But until the nation decides that the industry is too important to be left to those who are more intent on speculating in it than in mining coal, and nationalizes it on the basis of original costs, the public will be robbed and the miners will have a hard time in getting decent wages. Not regulation, such as is proposed in the Borah bill, but nationalization is the only way to put the industry on a stabilized basis and to get rid of this Ku-Klux secrecy that surrounds it today.

Nationalization would mean that all anthracite coal coming to New York city would have practically the same price for each size, and that any dealer charging more than a fair price for storing and delivering it would immediately be known. Profiteering such as exists today could be checked, and with the efficient cooperation of municipalities might be stopped. Coal could be delivered more cheaply. The miners and the public would get the benefits of increased economies and efficiencies in the in-

dustry. A larger production would be encouraged rather than discouraged, as, according to the Coal Commission, it is today. Nationalization of the anthracite industry is coming, and the sooner it comes the better off the people of New York city and the east will be.

Nationalization also, we are convinced, must be the ultimate solution on the bituminous industry, with its scandalous wastes, its ruinous overdevelopment, and in some districts its chronic civil war between the operators and the workers.

We are aware that a proper plan of nationalization will require careful study. It must be non-political in operation. It must be democratic in administration, encouraging functional self-government, with direct representation of workers and technicians. The workers' own organization should be encouraged and not discouraged. These tasks may be difficult, but they are not impossible, while to keep private ownership and operation for profit and yet to prevent profiteering and constant strife between owners and workers is impossible. It is on this basis that we, representing a society whose primary purposes are educational rather than political, urge upon you immediate and constructive action.

ROBERT MORSS LOVETT.

HARRY W. LAIDLER.

NORMAN THOMAS.

COAL PERSISTS AS A GIGANTIC ISSUE¹

On one side, a body of one hundred and fifty thousand workingmen, solidly organized as part of the most powerful labor union in the United States. On the other, a small group of men who own and control an industry involving many millions of dollars. Between them a gulf

¹ From article by Evans Clark. *New York Times*. Section 8, p. 1, 11. August 30, 1925.

of misunderstanding over which no agency or individual now has the power or authority to build a bridge. And—dependent upon an agreement of the two contending parties for one of the first necessities of life—the people of the United States.

This is the triangle which periodically confronts the nation, owing to the play of economic forces in the anthracite coal fields. So exasperating to the public have these constantly recurring "coal crises" become that one more may precipitate drastic measures of self-defense. The next few weeks may mark a new departure in the relations of capital, labor and the American people at large. How drastic the changes will be depends upon the resistance of the two parties to public demands that they settle the controversy and settle it in such a way that it will be far less likely to happen again.

The root of the difficulty lies in a conflict involving the natural ambition of the workers to better their condition, the equally natural desire of the owners of property and those who invest their money in it to get as great a return as possible, and the interest of the public in getting the necessities of life at the lowest possible price. It is the perennial battle of our industrial civilization—intensified and dramatized in the case of coal by the unusual power and cohesiveness of the two major contending forces and the intimacy with which the outcome affects the household life of the average American family.

Anthracite coal—in direct contrast to bituminous—is one of the most closely held and highly centralized industries in the world. The American people burn about eighty million tons of it a year. Three-quarters of this amount is used for heating and cooking at home, the bulk of it in the middle Atlantic and New England states. The entire supply is mined in a small area of about five hundred square miles in the northeastern part of the state of Pennsylvania, while about three-quarters of the present production and 90 per cent of the future supply is

owned and controlled by a group of ten large companies whose history is intimately linked with the great coal-carrying railroads. For this reason they are commonly called the "railroad coal companies" or just "the companies," while the others are called "the independents."

The history of the companies in the anthracite fields is the history of the cities of Scranton, Wilkes-Barre, Shamokin, Mauch Chunk, Hazelton and Tamaqua, where the mines of these companies are located, sometimes burrowing their way thousands of feet below the business section of a town.

The history of these companies, the commission points out, is the history of American business generally; an era of small holdings, discouraging pioneering and cut-throat competition; a feverish and ruthless struggle of the railroad companies to get traffic; then consolidation, absorption, combination—except that in this case the railroads themselves did most of the absorbing. They guaranteed the traffic to themselves by the simple expedient of buying the business that produced it.

But they bought more than that in many cases. To insure its indefinite continuance they bought at inflated prices great speculative reserves of coal land which held a supply sufficient to last, in some cases, for hundreds of years. That these reserves play a part in present price determination is shown by the statement of the United States Coal Commission in its report that "the American people . . . do not believe that it is the inherent right of any corporation to embark on a two-hundred-year speculation in land and ask the public to pay the cost of carrying it out of the present price of coal."

Then followed overdevelopment, low prices and meagre profits—very much the conditions that now prevail in the bituminous fields. But it was soon checked by pooling of traffic, limitation of output and other devices which finally resulted in the Supreme Court decision of 1908 divorcing three of the principal railroad companies from their coal subsidiaries.

The process of concentrating the control of anthracite is still going on, as recent production figures show. The "independents" have produced a constantly decreasing proportion of the annual output—at least up to 1921. In 1895, according to the Coal Commission, they produced 45 per cent of the total tonnage; in 1905 25 per cent, and in 1921 about 19 per cent.

The United States Coal Commission, which made as thorough-going an analysis of the coal industry in 1922-3 as has ever been made by a government investigating body in this country, recognized in its report both the advantages and the dangers of a situation such as this. "Real benefits," it said, "have flowed to the public from strongly financed companies, although these benefits were largely offset in earlier years by the illegal practices which the courts condemned." But it summed up the whole situation with the following comment:

The fundamental fact in the anthracite problem is that heretofore these limited and exhaustible natural deposits have been in the absolute private possession of their legal owners, to be developed or withheld at will, to be leased for such royalties as could be exacted, to be transported and distributed at such rates and in such manner as a double-headed railroad and coal combination might find most advantageous from the point of view of private profit, to be sold at such prices as could be maintained by the restriction of output and the elimination of independent competitors, through the maintenance of freight rates burdensome except to those who, owning both mines and railroads, could afford to be indifferent as to whether their revenue came from the one source or the other.

Unlike corporations which have been technically classed as "public utilities," the operating and financial records of the coal companies are not open to public inspection. Only an occasional investigating body like the Coal Commission has secured for the public a peep behind the bookkeeping scenes. Even then the view has been blurred and confused by a complicated tangle of differing accounting methods; by revaluations and "write-ups" which have overlaid the actual cash investment in each property and made it next to impossible to estimate

with accuracy what relation profits bear to the money which the owner put into it.

By and large, the truth seems to be that the "railroad" group has been prosperous—in some cases exceedingly so—while the independents lead a more uncertain economic existence. The independents fatten on shortages and suffer when the market is well supplied, for the railroad group is equipped to handle the normal demand without much assistance from the outside. Even among the railroad companies there is a wide variation in profits received, dependent on differences in the cost of mining the coal.

Whenever a dispute occurs the operators attempt to describe the state of affairs in terms of the "marginal" concerns, struggling to make both ends meet, while the miners point to the prosperous companies and exhibit them as typical of the industry. The union, however, holds the theory that companies which are not efficient enough to pay fair wages and still make a profit should be eliminated from the industrial scene. The union has a perfect right, it claims, to judge the industry in terms of the successful concerns.

How successful these are, the Coal Commission's report gives some indication. Unfortunately the troubles of the marginal concerns are not revealed in the statistical tables. The most striking examples of prosperity, according to the commission's figures, are the Pennsylvania Coal Company, the Hillside Coal and Iron Company, the Lehigh Valley Coal Company and the Lehigh and Wilkes-Barre Coal Company. The Pennsylvania paid out cash dividends amounting to 137 per cent on its capital stock in 1921 and 168 per cent in 1922—or \$1.30 and \$2.76 for every ton of coal mined. In 1921 Hillside paid dividends of 205 per cent. Lehigh and Wilkes-Barre paid 227 per cent in the same year. These unusual disbursements, however, do not represent the average annual return, they include the distribution of surplus accumulated in past years.

Taking the Pennsylvania Company as an example, the rate since 1913 has varied as follows: 49, 10, 10, 31, 110, 83, 54, 59, 137 and 168. Other concerns, like the Philadelphia and Reading Coal Company and the Scranton Coal Company interests, have not paid any dividends during the period investigated by the commission.

The course of the present controversy between the union and the operators has raised some leading questions which go to the core of the industry's organization and management and are of the greatest public concern. As usual, the position of the miners was determined at the Tri-District Convention of the union back in July and rested on a demand for increased wages. But when the actual negotiations began at Atlantic City, a few weeks later, Mr. Warriner, spokesman for the operators, made it plain that they would not consider any proposal that would add to the cost of production, and hence, he claimed, prices to the ultimate consumer. His position was that the price of anthracite is now so high that the public is turning to substitutes, and that any further increase would ruin the industry that supports both operators and miners alike.

President Lewis of the Miners' Union broke off the negotiations because the operators would not modify this position; but not before he had challenged Mr. Warriner's major premise—which he has continued to challenge in public statements since. It does not follow, he argues, that to grant an increase in wages would necessarily require an increase in price to the consumer. Specifically, he points to three places in the industry where sufficient financial slack could be taken up to save the sum necessary to meet the union's demands: (1) excessive profits of operators, wholesalers and retailers; (2) wastes in the processes of production and distribution and (3) excessive freight rates.

Answering the operators' continued demand for arbitration of the wage issue he has intimated that it would

come with better grace if accompanied by an offer to submit profits also to arbitration. To this contention of the union that an industrial housecleaning is in order, the operators have replied by pointing out that they have no control over freight rates or distribution of the coal to the consumer.

But any broad consideration of the anthracite coal industry from the public's point of view must, of course, include the whole process from mine pit to coal bin, and all these issues are likely to be kept in the forefront of public discussion. It is asked, for example, why the public pays over \$14 a ton for anthracite in New York while it costs only \$9.15 at the mine mouth in Pennsylvania, a bare two hundred miles away.

One reason, the union officials claim, is bound up in the relation between the railroads and the producing coal companies. They assert that the coal roads charge anywhere from 50 to 75 per cent more to haul a ton of anthracite one mile than the other roads charge to haul a ton of bituminous the same distance; that the dominating interests in the coal companies have always been the railroads themselves, or those that own the railroads; and that it has been to their interest to get as much as the traffic would produce out of hauling the coal. Union spokesmen assert that the coal companies charge the entire freight bill to the public, so they do not suffer either. The profits in coal, they say, flow out into two channels instead of one—to the mining companies and to the railroads—and point to prosperity among the coal-carrying roads far in excess of the average run of railroad properties.

Anthracite, after it has first been mined, is distributed by a complicated system. The railroad coal companies market their product mostly through sales companies closely affiliated with them; but the independents sell to independent wholesalers and sales agents who, in turn, sell to the retailers at the points of consumption—all

though sometimes, especially when coal is at a premium, it passes through the hands of several wholesalers, each of whom takes his toll of profit.

While the commission recognized that the wholesaler is a necessary factor in the distribution of anthracite, it also reached the conclusion that "because of conditions of overdevelopment, speculation, and duplication of function the activities of independent wholesalers in times of shortage tend unduly to enhance prices to the consumer."

Strange as it may seem, the independents are the dominating element in fixing prices for coal in times of shortage, even though less than one-quarter of the total supply passes through their hands. The prices for railroad "company" coal are always lower and more stable than those of the independents, partly because most of the "company" product is sold on long-time contracts which do not fluctuate with the supply. At present, for instance, company coal at the mine is quoted at \$9.15 a ton, while independent coal is listed at over \$10. But, says the Commission:

Independent coal . . . tends to be the determining factor affecting the retail price level in times of high premium markets, while company coal . . . is the determining factor in more normal times.

The retail coal trade, the commission found, is "over-developed, many cities having retail facilities at least double those necessary to handle the tonnage consumed." This overdevelopment, it claimed, "results in large investments in yard and delivery facilities, necessitating high profits per ton to yield even moderate rates of return on investment." The average net profit per ton of sixty-nine companies examined by the commission in the middle Atlantic states ran from 39 to 63 cents, making a rate of return on their investment of from 10 to 25 per cent.

In their opposition to the demands of the union for wage increases, the operators have claimed that the very existence of the anthracite industry is threatened by the

increasing use of substitutes by the consuming public—which any increase in anthracite prices would stimulate even further. Last year alone, they state, the increased use of substitutes displaced five million tons of anthracite.

Temporary substitutes for anthracite are confined mostly to coke and bituminous coal, the demand for which rises abruptly whenever there is a shortage. But bituminous is less satisfactory because of the smoke nuisance it creates and the necessity of much more frequent firing. It is also difficult to use it in most anthracite grates, unless in the form of briquettes.

Such, in brief, is the situation which the anthracite crisis has brought to the forefront of public discussion. What solution will be found for the problems it involves will largely depend on how the present controversy is finally settled. Naturally public interest centers in the recommendations which the Coal Commission made in its report two years ago. In all probability they point the direction which public opinion will eventually take. Summed up, the most important are as follows:

1. Public recognition that the coal industry, like a public utility, is "affected with the public interest."
2. "Complete publicity of accounts through a Federal agency with power to compel reports and to prescribe the form of accounts." Like the railroads, the commission maintained, the coal industry should report to a public authority, for "the public interest places limitation on the rights of owners of coal lands, operators, mine workers, carriers and dealers."
3. Designation of an agency to unite with the industry in continuing studies of unemployment and the wage structure being prepared to make special compulsory investigations whenever there is a threat of failure to renew a wage agreement.
4. Mediation by the President of the United States based on the publication of facts bearing on such a dispute.

AFFIRMATIVE DISCUSSION

TRUCE IN THE COAL WAR¹

Another truce in the anthracite-coal industry has been patched up. It is a five-year truce, after an industrial war which lasted one hundred and sixty-five days at an estimated cost of \$1,000,000,000. There is nothing in the agreement which looks forward to the prevention of another strike when the contract is over. We have simply arrived at another temporary settlement after a wasteful and inconclusive struggle.

This is not what the public had a right to expect. This is not what the public was told it would receive if it was patient at the losses and inconveniences of one strike. The public was told that if it would stand fast and let the strike run its course something like a permanent and constructive remedy could be had. The whole argument for inaction and a hands-off policy by the government and the public was that by waiting bravely and patiently this time it would be possible to do better than a patched-up truce. The result has not justified the policy. The kind of settlement arrived at yesterday is no compensation for the patience of the public. If this is all that was to be had by waiting, the public might just as well have been impatient and insisted upon early and decisive intervention.

What the public was told to expect and had a right to hope for from this, the longest of all coal strikes, was a reorganization of the industry in the public interest. At the least there should have been established a continuous fact-finding agency which would show what coal profits are and what, on the basis of costs, the miners might reasonably ask as wages. There should have been, too, some

¹ Editorial, *New York World*. 66; 8. February 13, 1926.

permanent body which could use the information supplied by the fact-finding agency in order to report on deadlocks in the industry as a guide to public opinion.

The settlement as reported ignores all the constructive features of the various plans proposed during the negotiations. The Pinchot plan, approved by the miners, included fact-finding. The Markle plan, approved by the operators, included fact-finding. The miners, at Philadelphia, offered a scheme for non-binding arbitration. All this seems to have been forgotten in the settlement which was actually made.

In view of this extremely unsatisfactory settlement in anthracite, in view of the ominous condition in bituminous, it is more than ever necessary for Congress to enact legislation along the lines of the Oddie bill. It is apparent that the coal industry is incapable of reforming itself. It can only fight and make truces. The real test, therefore, is still to come. It will be a test of public opinion, of Congress and of the President.

The question is whether, now that this strike is settled, the whole question is to be forgotten and the whole matter allowed to drift from 1926 to 1931 as it was allowed to drift from the strike of 1923 to the strike of 1925.

IS COAL TO BE FORGOTTEN?¹

Representative Hamilton Fish tells us that the Republican Steering Committee has resolved to take action upon coal. Floor Leader Tilson makes the same statement. But what action? Unless misquoted, they are simply going to "extend the executive powers to meet a future emergency"—that is, answer Mr. Coolidge's request for authority to appoint a board which shall urge conciliation in future strikes and avert any threatened shortage by controlling distribution. This is about as feeble and insufficient a gesture as Congress could make.

¹ Editorial. *New York World*. 66: 12. February 16, 1926.

Here is one of our greatest, most vital national industries; and the close of the anthracite strike should enable Congress to see it whole, in both branches. It is suffering from two grave evils. The anthracite field presents the evil of monopoly; the bituminous fields present that of overdevelopment. Both have had consequences which should impress every observer with the need for action.

The anthracite monopoly has made for a permanent level of excessive prices, which no changes—not the improvements in machinery and methods, not the divorce of the mines from the railways, not the declining prices of other commodities—have been able to reduce. It has fostered excessive royalties and differential profits. It has permitted gross inequalities in the wages of miners, so that a few are overpaid and many underpaid. The bituminous overdevelopment has resulted in irregular operation and forced idleness of capital and labor; that is, in shocking waste. The miners, working three or four days a week, have been stung into disastrous wars. While coal prices rose—for the ton-cost in three-day-a-week mine is 25 per cent greater than a six-day-a-week mine—many collieries have gone into bankruptcy. Production has see-sawed violently, reaching five hundred and sixty-three million tons in 1920 and dropping to four hundred and fifteen million tons in 1921.

If this condition is not a challenge to Congress, then it never faced one. For a comprehensive and durable remedy is possible only if the Federal government acts in cooperation with the industry on a national scale and with a sharply defined policy. The measures required are by now fairly well understood. In the anthracite industry we need constant fact-finding, with a restriction of margins to a reasonable return on investment, and with the abolition of monopoly profits. Great Britain has given us the example of a wage agreement by which miners and operators share the profits, according to districts, in equitable proportions. We could well use that principle,

by basing some form of arbitration on fact-finding, to assure peace. In the bituminous fields, beyond fact-finding, we need measures to encourage the pooling of mines to give us steadier production, lower costs and wider use of long-term contracts. Our present laws actually discourage such consolidations. We need also to consider carefully the Coal Commission's recommendations for controlling overproduction through a wiser and fairer allocation of freight service at critical moments.

For Congress to drop the coal problem now with the mere passage of the "emergency" legislation for which Mr. Coolidge asked would be a confession of weakness or blindness. The real task is to prevent the appearance of more "emergencies." It is to deal with the chronic maladies of which the recent strike was but one of many symptoms and which under the surface are as grave as ever.

PRESIDENT'S ATTITUDE TOWARD COAL CRISIS¹

No more patient people exist anywhere than in the United States of America. They permit themselves to be exploited, talk a lot about it, and then supinely sit back and take the medicine which they have permitted to be prescribed. When there is a recurrence of these conditions or threatened encroachments, they again arouse themselves temporarily, make another fuss and again sit back, ready to "pay the freight." There is no better illustration of this placidity of the American people than in what happens constantly in the matter of anthracite coal. Without going back too far let us take but the recent history of this industry and its relationship to the public.

No progress has been made during this period of 1920-1925, toward correcting conditions and that the con-

¹ By George S. Silzer, governor of New Jersey. *Current History Magazine*, New York Times. 23: 244-8. November, 1925.

sumer is as helpless today as he always has been. A demonstrated weakness of human nature seems to be our unwillingness to learn from history or from the experiences of ourselves or others, and it was never better demonstrated than in the matter of coal. Three years ago in the public discussions and in the report of the Fact Finding Commission the following were among the things pointed out as some of the evil practices of that business:

Anthracite coal is a natural monopoly. Eight producing companies affiliated to some extent with the railroads produce 74 per cent of the total output; 90 per cent or more of the unmined coal is controlled by eight coal companies and their affiliated corporations. The coal banks are owned by a small number of corporations, estates and individuals.

There is a unified control of mine labor so that the region is practically 100 per cent organized.

The larger part of the production is called "Company" coal and this "Company" coal is controlled by nine railroads and three coal companies. They fix the price.

These companies, however, succeed in keeping down the output so that the local dealers are driven to buy independent coal at a premium.

In many cases the old line companies and the railroads are interested in these independent companies, and "Company" coal and independent coal are commingled and sold at the premium price.

Frequently coal is sent to places where it is not needed. One of the railroads controlling a mine shipped coal to distant points where there was no urgent demand but in which they were opening a new market. This diversion took place because there was a longer haul and consequently a greater return to the railroad. At the same time there was a shortage in the territory where the anthracite coal is used and needed.

This gave the independent, so-called, an opportunity to operate and created a market for independent coal at advanced prices.

While the population in the anthracite-using states has largely increased in the past ten years, there has been no material increase in the production of anthracite coal.

It is evident that the law of supply and demand does not prevail in this industry.

There is no real separation between the railroads and the mines.

Increasing royalties to the owners of the lands in which anthracite coal is located also increases the prices.

One-third of these coal lands are subject to those royalty payments, in some instances as high as a dollar a ton.

For the purpose of securing these large returns, coal properties are revalued, resulting in high book values, inflated capital,

and consequently an increased price, in order to make adequate return on this inflated capital.

It is impossible to buy coal directly from the mines; owing to the system, the purchases must be made through operators, jobbers and wholesalers.

"Pyramiding" of prices is another evil; each agency handling the coal adding its quota to the price.

Pennsylvania imposes a state coal tax of $1\frac{1}{2}$ per cent with the value of the coal at the mine. This makes an average tax of 12 cents per ton; through the pyramiding system this price is added to the cost per ton through operators, jobbers and wholesalers so that the final consumer pays an additional increase of 50 cents to \$1 a ton because of the tax.

What is true of the pyramiding of the state taxes is also true of the pyramiding of the royalties and the miners' wages. Every increase in the case, whether through royalties, state taxes, revaluations, or wages, is passed on through these various channels to the consumer on a percentage basis so that the original item is magnified many hundreds per cent.

Experience has shown that each strike has added to the price of coal sums far in excess of the actual increase in wages paid to the miners. The miner not only gets his increase at the expense of the public, but the owner, operator, wholesaler, and jobber as well.

Attempts at legal regulation of price, distribution and quality have failed; in states where the quality is objected to, the operators simply refrain from sending coal to that state. Coal for consumption in the eastern states has contained as high as 20 per cent of slate, and there is no regulation of the quality of the coal at the mines by the state of Pennsylvania before it enters interstate commerce.

Assessed valuations by the taxing authorities in Pennsylvania have been increased over 700 per cent, increasing the lawful tax, which, of course, is added by the operator to the cost per ton of the mined coal and paid by the consumers in other states.

That there is a close relationship between the railroad companies and the independents is clearly illustrated by the fact that local selling agents of the railroad companies sell both "Company" and independent coal, the dealers being informed that in order to get 40 per cent of the "Company" coal they will have to buy 60 per cent of independent coal to make up their quota of 100 per cent for their customers.

These and many other abuses were shown to exist, and there is not a scintilla of evidence to show that a single one of them has been corrected, and there is every reason to believe that they still exist and that they are factors in bringing about a scarcity of production and an increase

in the price of coal to the consumer. It must be evident, even to the man who thinks but little, that the industry will not correct its own abuses; that those who are securing large profits are not going to forego them; that there must be some strong hand somewhere to protect the helpless consumer. No such help is yet in sight. All the anthracite coal is mined in Pennsylvania and that state has control of it until it enters interstate commerce by being loaded upon a car for shipment to another state. It remains in interstate commerce until it enters a particular state and is there discharged, when it becomes subject to state regulation. Little can be done by the individual state because the dealers are largely controlled in their action by the rules and regulations of the owners and operators, who tell them what they must and what they must not do, and what prices they must and must not charge. If they do not obey these commands they will get no coal from the mines. The abuses mentioned can only be corrected through Federal action.

While legislative action and regulation is to be deprecated and discouraged, there are times when it must be invoked, and that time arrives when no other remedy exists to protect the public. That is the present situation in the matter of coal. The evils mentioned cannot be corrected in any other way than by Federal interference and regulation. It is quite evident that the administration at Washington has no intention to interfere or to regulate this industry. The message from the President to Congress in December, 1923, indicates the administration policy. In it the President said:

The cost of coal has become unbearably high. It places a great burden on our industrial and domestic life. The public welfare requires a reduction in the price of fuel. With the enormous deposits in existence, those responsible for the conditions in this industry should undertake its reform and free it from any charge of profiteering.

The report of the Coal Commission will be before the Congress. It comprises all the facts. It represents the mature deliberations and conclusions of the best talents and experi-

ence that have made a natural survey of the production and distribution of fuel.

I do not favor government ownership or operation of coal mines. The thing is for action under private ownership that will secure greater public protection. The Federal government probably has no peace-time authority to regulate wages, prices, or profits in coal at the mines or among dealers but by ascertaining and publishing facts which can exercise great influence.

The source of the difficulty in the bituminous coal field is the intermittence of operation which caused more waste of public property.

That part of the report dealing with this problem has much significance and it is suggestive of necessary remedies. By amending the car rules, by encouraging greater unity of ownership, and possibly by permitting common selling agents in limited districts on condition that they accept adequate regulations and guarantee that competition between districts be unlimited, distribution, storage and continuity have to be improved.

The supply of coal must be constant. In case of its prospective interruption, the President should have authority to appoint a commission empowered to deal with whatever emergency situation might arise, to aid conciliation and voluntary arbitration to adjust any existing or present controversy between the employers and the employes when collective bargaining fails and by controlling distribution to prevent profiteering in this vital necessity. This legislation is exceedingly urgent and essential to the exercise of national authority for the protection of the people. Those who undertake the responsibility of management or employment in this industry do so with the full knowledge that the public is paramount, and that to fail through any motive of selfishness in its service is such a betrayal of duty as warrants uncompromising action by the government.

With due respect to the President, I must differ from him in his policy, and believe such difference should be expressed so that a correct line of action may follow. From this message it will be observed that while the President recognized that the coal was unbearably high and that there were many abuses to be corrected, he offered little or no remedy for their correction. What he suggested was contained in the first paragraph, when he said: "Those responsible for the conditions in this industry should undertake its reform and free it from any charge of profiteering," and, further: "I do not favor government ownership or operation of coal mines. The thing is for action under private ownership that will

secure greater continuity of production and greater public protection." From the President's message it is quite clear that he does not favor government ownership, operation, or even regulation notwithstanding the fact that the government has with effect regulated abuses that have existed in other industries and so has protected the people against those willing to exploit them.

Government ownership and operation are not necessary if regulation will accomplish what it needs. What the administration favors is that "those responsible for the conditions in this industry should undertake its reform and free it from any charge of profiteering." In other words, those who are charged with profiteering are kindly asked to stop it, and we are to believe that those who are making enormous profits will forego those profits upon the mere request that they shall free themselves from any charge of profiteering. We are asked to believe that those responsible for the conditions in this industry, as already above set forth, will voluntarily undertake to reform themselves upon mere request. After many years of ingenious planning to establish a system that is so profitable to them they are not likely to give up without a struggle.

To bring it to terms, the coal industry needs a strong hand applied by the Federal government. Nothing would be more enlightening to the American people than to publish the income tax returns of those who operate or are interested in this industry, and a list of the amounts contributed (publicly and privately) to political campaigns. Such publication would soon lead to action, for the consumer would at once see why the ton of coal costs him so much.

So long as the administration attitude does not change, just so long must the American people expect to pay more, and more, and more each year for their coal; to be subject to recurring strikes (each profitable to the operators and miners and each adding an additional

burden on the consumer), and just so long will the operators continue their present practices and pocket the profits therefrom. And so long as it continues, the consuming public will protest and protest and pay and pay, until they are finally aroused and realize that they must take definite action to force those in authority to do something for their protection. Aroused at last, an angry people may go further than necessary and may demand government ownership and operation. Until that time comes there will be no change in conditions, for the administration seems unwilling to do anything but recommend reform.

ANTHRACITE CONTROVERSY¹

In general the bulk of the work in an anthracite mine is done by contract and consideration miners and miners' laborers and day laborers inside and outside the mine. Contract miners, as you all know, are piece workers, paid by the ton. They are the best skilled men in the industry, with a technical ability acquired after years of experience. They work in constant danger to life and limb. They can be compared in intelligence and skill to highly paid mechanics.

The operators have been trying to prove that contract miners work steadily and make large yearly earnings. In the report of the Coal Commission we find, however, the statement that four-fifths of the contract miners worked less than two hundred and sixty days during the year investigated, and that two-fifths of them worked less than one hundred and ninety days. They worked less than one hundred and ninety days because of the conditions to which I have alluded, conditions entirely beyond their control, conditions largely having to do with the problem of efficient management of the collieries. In

¹ From address by John L. Lewis, International President, United Mine Workers of America, at the Altamont Hotel, Hazelton, Pa. August 25, 1925. 34p. Anthracite Scale Committee, Indianapolis, Ind.

the two largest anthracite districts the commission found contract and consideration miners were making under \$1600 per year. This was before the 10 per cent increase granted by Governor Pinchot in 1924, which would increase those earnings to \$1760 a year.

On the whole, the commission found the contract miners, the highest skilled of all anthracite mine workers, worked on an average of two hundred and forty-eight days per year and made, at the time of the report \$1700 a year, or, under the new rate \$1870 a year, an amount which in no way compensates for the risks, the hazards or the responsibilities of their work.

From these earnings, found by the commission, must be deducted over \$200 per year for machinery and mine supplies, such as jack hammers, drills and other tools which the miner is obliged to purchase, in the open market, for use in his work.

No one who knows the anthracite industry will dispute the fact that the contract miners' laborers make up one of the worst paid groups in the coal field. They are paid partly by the companies and partly by the miners, but their wage increases depend upon general increases. It was of this group the Coal Commission said "Their families have a very uncertain and inadequate income. They are frequently in economic distress."

Three-fourths of these men earn under \$1500 a year. One-half of the contract miners' laborers work less than two hundred and thirty days a year. So unsatisfactory are the rates of pay and working conditions that the labor turnover is notoriously high, in some instances reaching as high as 416 per cent. Miners' laborers are constantly changing jobs in the hope of bettering themselves.

An increase in wages would go far toward stabilizing the industry in this particular. The turnover among laborers represents an enormous economic waste, one that could be easily checked by the paying of a wage

that would enable these laborers to live within a decent American budget.

Inside and outside day men, one of the largest groups in the industry are underpaid. These men are paid a flat day rate that varies from \$4.62 to \$5.96. There are wide discrepancies between the rates paid for labor of this sort in the anthracite fields and the rates paid to similar laborers in other industries. As the Coal Commission says, any outside men who are earning above \$1600 per year are working as many or more days than there are in the calendar year, through overtime work at night, or ninety-five days more than the industry averaged in 1924. Men earning more than \$1352 are working a maximum full time working year with no days lost for delays or absence of any kind. Seven out of ten inside men earn less than \$1500 per year.

It is entirely beside the question to point out a man, whom some one may know, who, because of exceptional ability, skill and unusual physical attributes, is able to earn vastly in excess of these average sums. We are dealing with the average man who works for a living in the industry. He is the guide by which we must measure progress and these startling figures, which I have just read, vividly portray his unfortunate condition.

It is apparent to all that the cost of living is steadily rising. The miners back home know that everything they buy costs more than it did last year. We know prices are still on the up grade, and we know, from long years of experience, when we sign a contract when prices are on the up grade it means our wages are falling as surely as if we threw them down stairs.

Anthracite miners and their families make up more than half of the population of this region. They have to stand the burden of all increases in prices. Throughout the country prices have increased. We know that everything is higher in the anthracite region than in the

average of the country. Clothing costs 25 to 50 per cent more than it does in New York. Doctors' fees have jumped 50 per cent and 100 per cent for every visit, since 1923. Rents have also climbed. The Pennsylvania State Housing Commission says rents have advanced from 4 to 115 per cent in the last four years. Not only that but the rents in the smaller towns have increased most, and a large percentage of the mine workers live in the small towns, and not to any degree do the majority of them live in company houses.

The anthracite operators have oftentimes proclaimed themselves as being highly virtuous because they charged a modest rental for some of their domiciles. As a matter of fact, when one looks at some of those domiciles he wonders how they have the heart to charge any rent at all. I saw some of them this morning.

Furthermore, the statement of the Pennsylvania Housing Commission says that rents have not yet been stabilized. They are still on the up grade. There is a shortage of houses and we have to pay for the shortage.

The United States Coal Commission, my distinguished friend John Hayes Hammond speaking again, in commenting on the housing facilities in the anthracite region said they were far below the average and that the region ranked under 50 per cent in the matter of adequate sanitation and facilities.

In regard to rent, as well as other necessities, the anthracite region is an expensive place to live.

I can cite numerous authorities showing the rapidly mounting cost of living, which, of course creates a necessity for increase in annual income upon the part of the man who works with his hands.

These authorities only confirm what we know first hand, every day, namely that it costs us increasingly more to live. It costs more proportionately in the anthracite region than in almost any other section of the country. The mine workers' earnings average below a

decent standard of living and far below a desirable standard.

Other trades in the region and throughout the country are receiving increases to meet the increasing prices. No other trade is as hazardous as the anthracite industry. Nowhere else does a man face injury so continuously or stand a certain chance of having his working years shortened, by the character of his job, as in and about the anthracite mines. We ask for a wage that will help us try to meet the price increases of the past two years, the certain increases of the present and immediate future, and to compensate adequately for a shortened working life.

I have mentioned the hazards of the industry. How many people really appreciate the degree of hazard which prevails in the anthracite industry? While the public accepts the fact that the mining of anthracite coal is a hazardous occupation, we do not believe that there is any general knowledge of the appalling extent of accidents in the anthracite coal fields. The truth about the situation, in our opinion, justifies our every demand for better working conditions and wages. The facts show the workers in an all-important basic industry are daily facing death and injury to a degree never known before. While other industries are being made safe for the workers, the anthracite industry is still asking the mine workers to take not only the risks they took two generations ago, but to take even greater risks today. Our industry is not keeping pace with others where protection of life and health is enforced as a natural thing despite the element of cost that may be involved in the saving of human lives. The anthracite industry is not even standing still in this respect. It is dropping back.

Our people are pleading for their lives. They ask that protection should be given them, and if society demands that they shall venture the hazards of the underground industry in order to serve it with fuel to keep warm and turn the wheels of industry, then, by the same

token, gentlemen of the committee, you and the other citizens present are under obligation to use your influence to see that the mine workers' lives are protected.

In the first seven months of this year, up to the first day in August, three hundred and fifty-five of our men were killed, and if that ratio were to continue for the other five months, more than six hundred men will die in the year 1925.

Do you know that in 1923 there were 29,172 men injured in the anthracite mines? Do you know that in 1924 there were 30,241 men injured, an army of thirty thousand men carried home on stretchers, if you please, or hauled in ambulances of a sort from the anthracite collieries, nearly one-fifth of the total number employed in the anthracite industry in one year victims of accident and death? What a terrible toll, and where is there an industry in America or in any other civilized country that compares with the awful record and toll of injury and death?

Aside from the anguish and suffering caused by accidents, there is an enormous industrial waste involved, which is reflected in the ever mounting cost to the consumers of anthracite. We lose three hundred and thirty-four thousand days each month by reason of these injuries. Every man stands to lose, on the average, over two days a month from accident or twenty-five days a year. In other words, for every man employed in the anthracite industry, either he or some other man must lose the equivalent of twenty-five days a year through the hazard of the industry.

Such is the terrific toll which the anthracite industry levies upon its workers. Every fourth man killed in Pennsylvania is an anthracite mine worker. Consider that for a moment. Three million wage workers in the state, but every fourth man who is killed is an anthracite mine worker, yet they comprise only one hundred and fifty-eight thousand out of the total of three million. Does the anthracite mine worker bear his share of the

hazard? The facts are obvious. Also, one-fourth of all the days lost through accident in the whole state is lost to the hundred and fifty-eight thousand anthracite mine workers, far more than in any other industry, including steel.

In the United States, with all its scientific and industrial progress, so-called, we are killing our coal diggers three times as fast as they are being killed in Great Britain, three times as fast as in the English mining industry.

For the last three years, for which figures are available, for every one hundred miners killed in Great Britain we have killed three hundred and twenty-two the first year, the next year three hundred and thirty-two and the next year three hundred and sixty-seven. Three hundred and sixty-seven miners killed here as against one hundred in Great Britain.

The public can no longer afford, with justice, to be indifferent to these facts. An intelligent public opinion will recognize the appalling hazards of an industry upon which they depend for the heating of their homes, and will insist that the miner have some compensation for and adequate relief for the exceptional risk he is daily called upon to take.

It has been asked whether the operators can pay a wage increase; whether they can pay to render their mines more safe; whether they can pay to save the lives of men; whether it is commercially possible for them to do so?

The claim of the anthracite operators that they are unable to pay out of their profits the increased wages demanded by the representatives of the United Mine Workers is without basis in fact and deliberately misleading to the public. One official body of investigators after another has reported steady and phenomenal increase of earnings by anthracite coal companies during the past five years. While these profits have been coming in, the operators have been paying a yearly wage far

below the health and decency budget set by economists for other groups of American workers.

The United States Coal Commission, in reporting on the operators' profits, has commented upon the tremendous spread between the cost of mining a ton of coal and the cost of that coal at the consumer's bin.

In making the 1923 settlement in the anthracite region, Governor Pinchot of Pennsylvania, found the margins of the operators had increased three and a half times over the pre-war margins and that all operators could pay the increase and absorb a large part of it from their profits. Now when they are asked to pay their workers a decent wage the operators raise the familiar cry of the bankruptcy of the industry and the industry being superceded by the rapid growth of the use of substitute fuels. The operators' bankruptcy wail has for its object just one thing, namely to deceive the public into believing that even a small wage increase, such as is asked by the miners, must come out of the pockets of the consumers and not from the profits of the operators. It is rather amazing how quickly a vast number of good people conceive the idea that just the moment the mine workers ask for an increase in wages it means an increase in the cost of coal at their bins. Why? Possibly because long experience has taught them to believe the operator would pass on the increase to the consumer, and we may guess the operator follows that practice because a great many well meaning people turn the venom of their wrath not toward the operator, who follows the reprehensible practice, but upon the devoted heads of the mine workers, merely because they ask for just consideration. The implication is that because the operators are evil, the miners must not ask for a wage increase.

Our sense of justice leads us to believe we are entitled to an increase and that there is room in the industry for the operator to pay the increase without further burdening the consuming public. It is the duty

of righteous public opinion to rise up and state their convictions upon that proposition, rather than to say to the mine workers "forget your demands and keep on working."

The operators give no figures to bolster up their claim, and would have us believe that of a sudden they have no bad days and a basic American industry cannot pay a living wage. So long as the operators conceal their profits, pad their production costs and valuations, hide their books from public scrutiny and boldly juggle figures, just so long we shall continue to doubt the sincerity of their bankruptcy plea. If they are really as badly off as they would have us believe, why are they unwilling to open their books or allow us to see something of what they may contain? We do not ask that all their business be given widespread or promiscuous publicity, but, as parties very much concerned with the true facts about an industry to which we have given our lives, we feel the truth about the profits should be given us.

Our own investigations, like those of official bodies, convince us a wage increase can be granted without it costing the coal consuming public one extra cent.

The operators do not deny they made high profits during the war years and immediately thereafter. They maintain their poverty is a recent calamity. Let us take one company, among the many now threatened with bankruptcy, and see how it fared last year.

We know the Lehigh Coal Company and Coxe Brothers Company received a reduction in tax assessments last year of \$4,500,000, and apparently made about \$3,500,000 more. This company made \$5,831,000 in 1921, or 137 per cent on their investment not upon an inflated valuation, but upon their investment in the industry, and that is what the miner has in the industry. He invests his life in the industry and the amount he receives upon his investment is the daily wage paid to his particular classification of labor.

Two years ago this company made \$4,495,000 and paid dividends of \$3,253,000 to the Lehigh Valley Railroad Company. On top of that the sales company made \$2,300,000.

If the alleged segregation of the Lehigh Valley Coal Company is being used as a cover to deflate the book earnings of the Coal Company then the public and the miners are entitled to know that fact.

Mr. Warriner, the president of the Lehigh Coal and Navigation Company has been insistent in his protestations that the companies cannot pay a living wage to the workers.

Let us see how this company, the Lehigh Coal and Navigation Company has fared in recent years. The company reports profits of \$1,500,000 in 1922; \$3,500,000 in 1923, and \$2,500,000 in 1924. On the basis of the net investment figures of \$15,752,000 in the company's reports, this indicates an earning rate of 10.1 per cent in 1922; an earning of 10 per cent on their investment in 1922, with the collieries in the Panther Creek Valley idle from April to almost October; an earning of 22.1 per cent in 1923, and 16.2 per cent in 1924.

Mr. Warriner's company is one which makes a practice of slipping the cost of its real estate speculations into the cost of the ton of coal. Market quotations for his stock were the highest last year of any previous year, while in 1925 still higher levels have been reached, with a high mark of 160 and a low of 81.

The Lehigh and Wilkes-Barre Coal Company is another company that claims it cannot pay a decent wage, which we seriously challenge.

The Coal Commission found in 1921 it was earning 38.2 per cent on its investment; in 1922 it earned 38 per cent; in 1923 it earned \$11,678,000 or 51.2 per cent on its investment. And that is the company that wants the miners to arbitrate. Last year it earned \$7,182,000 or 31.5 per cent. In the last two years it declared dividends of \$15,292,000 in cash and in April of 1924 a 200 per

cent stock dividend was paid. In January of this year an extra dividend of \$3 a share was handed out to the impoverished stockholders. It would be interesting to us to have the books of this company put on the table so we might learn why such an apparently prosperous concern suddenly feels the pinch of poverty.

The Glen Alden Company has had something to say about the operators' inability to pay. Mr. Inglis has also been loud in his protestations that under no circumstances could they admit of another cent of increased cost to the distressed public. Oddly enough the stock of this company has climbed in these four years from 50 in 1921 to a height of 130 in 1924, and I have not heard of many selling recently. The income for 1923 was \$9,411,000. On the basis of the Coal Commission's net valuation of \$8,909,000 this would indicate an earning rate of over 100 per cent. President Inglis, of this company, who has been prominent in putting forth the operators' claim of destitution, told his stockholders on December 10, 1924, "Our business this winter should be the best since 1921." Wall Street's estimated earnings for Glen Alden for 1925 are practically the same as for 1923, the big profit year. The Delaware, Lackawanna and Western, sales agent for this company, has, as Governor Pinchot pointed out, averaged 50 per cent profit for the last six years.

If the operators wish to convince the public and the miners they are in dire straits let them lay on the table the books of the Hudson Coal Company, today an outstanding example. This company is sales agent for the Delaware and Hudson Railroad Company and of the new company formed to take charge of Hudson coal lands. It is our belief that here is a continuance of the old bad practice of creating fictitious valuations that usually make such transfers as this.

The Delaware and Hudson officials refused to explain to the Coal Commission three sums on their books aggregating \$30,220,302.71 or enough to pay the wage

increase of all the miners for a full year. Through transfers and wash sales in the coal industry as in the railroad business, investment figures are inflated and purely imaginary values are set up for the purpose of concealing the profits and making it appear impossible to pay decent wages. The running down of the truth about profits between holding companies, agencies and railroad owned mines requires the skill of an expert detective, accountant and financier combined.

The representatives of the mine workers believe the public, as a whole, has every appreciation of the necessity of an increase in wages in the anthracite industry. The public, very naturally, resents being forced to pay wage increases out of its pocket under such conditions as I have described.

One of the arguments persistently used by the anthracite operators, in support of their refusal to consider a wage increase, is that the industry has been hurt by the wide spread use of substitutes for anthracite coal. This is a question particularly stressed by the Citizens' Committee in their formal representation to this conference. The operators go so far as to say that last year alone substitutes used by the public displaced five million tons of anthracite. These substitutes, they say, were mostly in the form of fuel oils, but also claim manufactured gas is now a serious substitute. Those who are familiar with the anthracite industry, however, know that a great deal of this substitution talk is alarmist in its nature and is being revived now for the purpose of deceiving the mine workers and the anthracite consuming public.

It has been nine years since the anthracite operators made their first representations to the mine workers on the question of substitutes. In 1916 they became seriously alarmed about substitutes, in February of that year, and in our conference they devoted a great deal of time to telling of the terrible menace of the use of substitutes to the anthracite industry and that unless the mine workers stopped in their mad course the region

would be laid idle and woe and desolation would exist where happy communities were in existence. The mine workers answered at that time. They set forth to the operators that there would always be a tendency to depart from the use of coal for heating purposes by wealthy people who could afford it; that those who could afford the initial investment of an oil plant and pay the high price of fuel oil and could afford the services of a competent engineer to run their plant would put in fuel oil. But, the mine workers pointed out that the natural growth of population in the industrial sections of our Atlantic seaboard country would call for a vastly increasing amount of the anthracite commodity that would more than make up any displacement made by fuel oil, gas, electricity or any other substitute, and for nine long years our statement has been true.

During this nine year period the anthracite industry has operated a greater number of days and has, in every respect, been more profitable for the operators than any similar nine year period if you go back one hundred years to the time it was first started. The operators say publicly they are afraid of substitutes. What do they say privately? Time and again the operators, through the public press and their periodicals, have laughed off any possibility of there being a cheap and abundant substitute for anthracite. They tell their consumers one thing when there are no wage negotiations on and another thing when the miners ask for consideration. For example, in the January issue of the *Burning Question*, a leaflet distributed by the Anthracite Operators Conference, under their authority, we find the following quotation: "During the past year millions of dollars have been spent in the effort to establish oil, gas and other substitute fuels for heating the homes of the country, but all this effort has had no appreciable effect in the anthracite industry, for the consumption of fuel shows no falling off." The *Burning Question* said that, published by the Anthracite Opera-

tors' Conference and Mr. Samuel Warriner is the chairman of the Anthracite Operators' Conference, and it was said in January of 1925.

How can the operators reconcile this statement of their spokesman with their present alarm over the alleged five million tons lost to fuel substitutes?

Under such heading as "Anthracite Fuel Holds Its Own" "Experience Proves Coal Cheapest Fuel" "All Tests Show Coal is Cheaper Than Oil" "Coal Will Be The Main Source of Power as Long as the Nation Lives," says George Otis Smith, Director of the United States Geological Survey, "the operators' press has discounted all the statements of the operators' press agents made today." The bulletins issued by the Operators' Bureau of Information have consistently and conscientiously listed changes made back to anthracite by concerns that have tried fuel substitutes and found them too costly.

In one of those references in one of those official statements was the statement, known to us, of course, but not known to the public, that in all of the advertisements of the use of fuel oil throughout the country, the Standard Oil Company has never turned its refineries or machine companies to the use of fuel oil, but continues to burn coal. Why? Because coal is the cheapest fuel the Standard Oil Company can burn. They don't burn oil. They sell it to the people who believe it is better than anthracite fuel.

The *Burning Question* says:

As a matter of fact, experiments with other fuels are found to be too expensive or in other ways unsatisfactory. The experimenters are returning to anthracite. Of the thousands and thousands of new homes built each year the greater number are equipped to use the fuel that has been found to be the most economical and satisfactory after a test of more than a hundred years.

Every first rate geologist knows our oil supply will be exhausted before appreciable inroads are made upon

coal. Government figures show the peak of oil production was reached in 1923, and if kept up at that rate the total oil supply would be exhausted in thirteen years. It is the part of economy to use coal and people will continue to do so until they find a real substitute.

In so far as the use of bituminous coal as a substitute for anthracite is concerned, I need not waste my breath here in the anthracite region by speaking on the relative merits of bituminous and anthracite to burn in a man's home. It would be an idle waste of breath for me to attempt to say to you or any one else in this country that bituminous coal for domestic coal is equal to anthracite. Those who break into the public press here, there and everywhere, advising people to scrap their investment in the anthracite coal burning apparatus and purchase equipment that will burn bituminous coal are merely giving foolish advice which, if followed by any one, will reveal to him the inefficiency of the suggestion and the utter loss which the change will make.

I don't think it is a very pleasant proposition to make to a textile worker in some of the New England mills, who has just taken a 10 per cent decrease in wages, to suggest he scrap his anthracite base burner and buy new bituminous equipment, and up to this date I have not heard of many base burners being thrown into the alleys of New England and discarded, Governor Fuller's advice to the contrary notwithstanding. As a matter of fact, they will not be.

In asking the anthracite operators to assent to our demand for complete recognition the anthracite mine workers were only asking that they grant the same concession and apply the same form of humane relief between their corporations and employees as obtains in the bituminous industry. This arrangement has been in effect in the organized sections of the bituminous industry for nearly a quarter of a century and it has

stood the test of every legal action brought against it. It is clearly recognized by the courts and by the leaders of the American Bar that the check-off is no more nor less than a condition of contract and employment. The right of contract is guaranteed by the Constitution of the United States and may not be impaired. The award of the 1903 Roosevelt Commission provided for the election of check-docking bosses to protect the interests of the employees. The wages of the check-docking bosses were to be deducted from the earnings of the miners upon such basis as they should determine. Certain operators objected to the method of checking off and a few of their briefs of argument, made later to the umpire, raised the question as to the legality of the check-off and, under date of July 9, 1903, at Pottsville, the Board of Conciliation adopted a resolution the last paragraph of which reads as follows:

If it be desired that the employer deduct from the earnings of the men the wages of such person, the employer will make the deduction from the earnings of such miners as make a legal assignment. Upon request from the miners the employer will furnish a satisfactory form of assignment, properly protecting employer and employee.

The check-off provision is desired because it would make possible a more efficient enforcement of any agreement made. It will constitute a substantial saving to the organization in a lower administrative cost. It will cost the operators nothing to grant it because already, every day, their bookkeepers are operating the check-off system in deducting moneys due from employees to the company and in many other forms, and our request simply means the adding of one more item to that long list of deductions.

We propose that it shall be done through proper individual or collective continuous assignment on the part of the individual, so that each man may have the opportunity of saying whether or not he elects to accept the check-off privilege. It is recognized everywhere

that the anthracite operators deduct from the earnings of their employees items for payment of house rent, house coal, miners' supplies, tools, taxes, beneficial organizations, and so forth, *ad infinitum*. We have no quarrel with the anthracite operators for the practice. We recognize it as a matter of convenience to them and a substantial saving in collection cost to do it through that instrumentality. It is a convenience for the employee because he does not have to run to the office or elsewhere immediately and pay any small item of indebtedness and secure a receipt from the coal company. It is a mutually satisfactory arrangement.

We have had another very important demand relating to the uniformity of wages for similar service rendered in occupations in the anthracite industry. For twenty-five years our people have been trying to secure some consideration on that point. It was submitted to arbitration by the Gray Commission in 1903 and the commission, in making its award, ignored the question and simply placed existing rates with the increase they applied. Because of that action of the Arbitration Commission the multiplicity of divers rates and scales for various occupations in the mines, have continued year after year, and every time a wage increase has been applied it has been applied on the base rate of 1903 plus the various advances. The base rate being admittedly wrong still leaves the entire wage structure, which is built thereon, in a condition of chaos. Time after time our people have pleaded for a revision of those rates, not necessarily with the cost to the operator but with mutual consideration of each other's obligations in the premises, and time after time our people have asked for bread and have been given a stone.

In 1923 we secured a provision in the settlement at Harrisburg, which we thought would offer some relief on the question of uniformity. The Anthracite Conciliation Board was given certain authority to enter into the ad-

justment of the rates and make recommendations thereon. Running true to form, the anthracite operators, members of the Board of Conciliation, have refused to make any adjustments up to this time and the demand again comes up for consideration in 1925, a quarter of a century after it was written by your fathers here in the anthracite region.

There are a substantial number of other demands embodied in the formal presentation of the mine workers upon which we desire consideration. Up to this time we have had no consideration of any character, the operators always erecting their barrier of opposition that anything whatsoever that spelled any interference with cost or any disturbance of the factors of cost was denied, rejected and declined.

We want consideration on some of those things. Some of those things won't cost much money; some of them will cost none. Others will cost a little money, but they have to do with the saving of human life and we think we are entitled to a hearing in court upon the questions affecting these propositions. As long as the operators maintain their present attitude we are denied the right to argue before an impartial tribunal but rather before a partial tribunal which has already rendered judgment.

Much has been said from July 9 to the present date about the operators' continued offers of arbitration of all matters in dispute and the refusal of the mine workers to accept their suggestion.

The mine workers believe in the principle of collective bargaining. They believe that inasmuch as they are to render service they have an inherent right to pass upon and decide for themselves the amount of wages they may receive for their services, the number of hours which they will work in a day, and the conditions of their employment. They believe they have the right to pass upon those things because with their hands and with

their backs they perform the services which the contract covers.

Those three things mean everything to the man who toils. To yield to another man, to another commission, a created tribunal if you please, the power and the authority to decide those questions for the men who work means that there is given to that individual or to that created tribunal or commission the power to fix their wages and decide what kind of food they shall eat, the character of the clothes they and their families must wear, the hour they shall rise in the morning and the hour at which they shall return to their families, the character of the domicile in which he may seek shelter, the degree of schooling he may give his children, the luxuries he may enjoy, the kind of man in our social fabric he may be. His status as a citizen in the body politic and the body economic is inexorably fixed by such decision from men exercising such authority. It means the power of life and death, if you please, and the mine workers do not like to idly and easily yield their rights and prerogatives as men when they believe there is justice in their position, because so to do takes away from them the right of themselves to vote and to pass upon and to accept or reject these conditions, these wages, these things which mean everything in their daily lives, even unto life itself. That is the inherent opposition of the mine workers of the anthracite region to arbitration.

There are various other reasons why they are opposed to it, some of which I do not care to enter upon in detail here today. Suffice it to say we have arbitrated with the anthracite operators and we know how they arbitrate, and in my letter to Mr. Warriner I spoke more plainly on this subject than I care to do here today. Mr. Warriner and his associate operators know what I mean and they also know that the anthracite mine workers are not going to arbitrate in this year of 1925. Their only reason for insistently suggesting it, day by day and

from time to time, is that they think it might prejudice the mind of some individual, who has not studied the question, against the mine workers' position. It might make us uncomfortable to have them continually suggesting arbitration. Arbitrate? Who is asked to arbitrate except the worker—to arbitrate the amount he shall receive for his efforts in the mining industry. Where is the anthracite coal operator who would agree that the question of how much he might make upon his investment should be arbitrated by three men on the street? Where is the anthracite coal operator who will say the question of what he shall sell his coal for f.o.b. the colliery might be arbitrated by some commission of distinguished men. No. That would be interference in their business, and the anthracite operators are on record with many of our great outstanding leaders in politics and in industry and finance, against the principle of interference in business and the restriction of the activity of men by fixed inhibitions. There is no merchant in the anthracite coal fields; there is no business or professional man in the anthracite coal fields, who would be willing that the mine workers should arrange what price he should get for a sack of flour or a pound of meat, the rent of a house, the price of an automobile, a suit of clothes or for professional services. Why? It is not in accord with our national concept of what is right in business. We are committed as a nation to the theory of competition in business. We believe in the unrestricted right of a man to sell his commodities in the best market that may be available to him, and I agree with that theory. The laws of our nation, our anti-trust legislation, are all enacted around that principle of competition, and are the laws not designed to enforce and protect the right of the individual to buy and to sell? So it is with the labor of our people. Just because one man may not like the price we ask for our labor is no reason that some one should ask us to accept a proposition which he

inherently would refuse in his own business namely arbitration.

There are two sides to every proposition. The mine workers have not any meat to sell or automobiles or real estate. They merely have the labor and service of their hands and their bodies. They are offering it for sale now to the anthracite operators. The anthracite operators say "we do not want you at your price, but we will let John Jones fix the price; he is a good man and we will take John Jones' judgment upon what we should pay you." Well, we don't know John Jones, and we don't think John Jones understands our problems. Consequently, we are reluctant to accept the good offices of John Jones to tell us what kind of citizens we should be and how much we shall get for going into a gaseous place and working under loose rock and quite frequently being hauled out of there. It is life and death. It is the dreams, the aspirations, the ideals and the convictions of honest, free men that you are dealing with.

The United Mine Workers are not the first who refused to accept arbitration here in America. I recall in 1913 during the great California coal strike, when the private guards and militia in the pay of John D. Rockefeller's mining interests shot and burned the Ludlow tent colony and killed thirteen, men, women and children in the tents and burned them in a pit where they had taken refuge. There was such public outcry against a continuance of that condition that President Wilson asked John D. Rockefeller, Jr., to submit that case to arbitration and end the intolerable situation, and John D. Rockefeller, Jr., exercising his rights, refused to arbitrate.

In 1919, in the great steel strike of this country, Judge Elbert H. Gary, chairman of the Board of Trustees of the Steel Corporation, was a member of President Wilson's Industrial Commission, sitting in Washington, and a settlement of the steel strike was brought

to the attention of that commission and it was proposed by the President, and others representing him, that Judge Gary would, in behalf of the Steel Corporation, agree to arbitration of the steel strike. But Judge Gary declined to arbitrate, even at the request of the President of the United States. Judge Gary felt he had that right and so did John D. Rockefeller, Jr., in 1913, and so do the members of the United Mine Workers of America in Districts One, Seven and Nine in the present instance. If they, in their judgment, come to that decision they have the right, here in our own country and in our own nation, to decide for themselves what price they shall get for their labor. There is no law which may intervene, and if public opinion should intervene now in opposition to the mine workers it will intervene upon a basis of trying to place some responsibility upon the mine workers under a condition which the public would not of itself accept.

If it is true we must arbitrate the price of our labor and the condition of our employment and the safety of our bodies, then, by the same token, we should carry the same principle to a point where everything else of importance to the mine worker and affecting the mine worker should likewise be arbitrated.

Some one has said our courts function as arbitrators. Our courts function as arbitrators between litigants upon questions arising within the period and life of a contract. Our courts do not undertake to say to contracting parties what there shall be in the contract as a primary proposition.

The United Mine Workers of America here in the anthracite region recognize the principle of arbitration of disputes arising within the life of the contract and we have our Anthracite Joint Board of Conciliation to pass upon these questions, because they are minor questions in comparison with the fundamental problems involved in the making of a contract. But, we have drawn the

line as affecting the right of some one to say to our one hundred and fifty-eight thousand people "here is your award; here is how you shall labor; here is your compensation; go thou and obey this writ."

Arbitration in the present instance does not offer any solution of this controversy between the anthracite operators and the mine workers. The operators offered it in the first place to vitiate the possibility of successful wage negotiations. We are convinced they are deliberately following a prescribed policy that is designated to bring about a suspension in the industry. We believe they want a suspension in the industry and we believe they want that suspension for substantial commercial reasons. We believe they want to dispose of their accumulated stocks of steam sizes at enhanced prices, and we believe it is a successful commercial proposition for them to bring about a suspension. They are selling their coal now, and why should they negotiate when they can make more money by not negotiating—creating a suspension of a definite period rather than negotiating and making a contract and having the mines remain in operation after September first. Their past history and performance in the financial and industrial world does not justify the thought or conviction that they would have any conscientious scruples preventing them from following this policy.

MINE WORKERS' DEMANDS¹

As I read your editorial, you are defending the anthracite operators in their refusal to open their books for investigation as to their selling prices, their profits, their dividends, their operating costs, their royalties, their invested capital and their capitalization, watered or otherwise.

We charge that an investigation of the books of

¹ By Ellis Searles, editor, *United Mine Workers' Journal. New York Times*. January 22, 1926.

these anthracite companies would reveal an overcapitalization, upon which they pay fixed charges; excessive royalties which add to the cost of coal to the consumer; wasteful methods of mining in many cases; gross inefficiency in operation of the properties; extravagant mismanagement, and huge profits.

We charge that these books would show, if submitted to an honest-to-God inspection and inquiry, that the anthracite coal companies can pay an increase to the mine workers without increasing the price of coal to the consumer. We say, too, that these companies refuse to show their books because they do not want these facts to become known to the public.

You say in your editorial that the mine workers are misrepresenting the facts. Then why not have the operators prove it by opening their books for inspection? The books of these coal companies are not more sacred than the books of railroad companies, and the latter are open to the public.

Forty millions of people in the eastern section of the United States have for decades past been dependant upon anthracite for their fuel supply. They have bought anthracite produced by these companies and have paid the price for it. We insist that these forty millions have a right to know whether they are being held up by these coal companies. Anthracite is such a vital part of their life that they have a right to know who gets the money they pay for it, and who is piling up the profits. They have a right to know whether they are paying too much for fuel and whether the price can be reduced. And we feel sure that these forty millions are perfectly willing for the mine workers, who produce this coal, to be fairly compensated for their hazardous service.

The anthracite operators never have consented to a thorough investigation of their books by any one. They say they will supply all necessary information to an ar-

bitration board that will enable the board to reach a conclusion. But they thus reserve to themselves the right to determine what facts are pertinent to the inquiry and what information is necessary. Nothing could be accomplished and no good could come to the public nor to any one else, from a half-way inspection of the books, with the operators deciding what part shall be inspected and what part shall remain hidden.

The demand of the United Mine Workers of America that the anthracite operators show their books, and the refusal of the operators to do so, forms one of the important issues in the present controversy. All that the miners are asking on that point is that they come clean with their books. The operators ask the anthracite consuming public to spend \$500,000,000 a year with them for their product. Under those circumstances they should be willing to take the public into their confidence so the consumer may ascertain whether the price he is asked to pay is justified.

COAL, MR. PRESIDENT¹

The anthracite operators have settled upon their objective, and the President is acting exactly as they want him to act. They want to fight out the strike and defeat the miners. They want to do this, not merely to avoid the necessity of granting present demands, but chiefly to prevent the miners from striking in the future. They do not hope to destroy the union, but they do hope to force it into a position where it must accept continuous arbitration. They want the union to agree in advance to arbitrate any possible future dispute. This would relieve them of the necessity of bargaining with it, or of yielding to demonstrations of economic power. It would insure them against future suspensions, with the immediate losses that might be involved, and the danger—

¹ From *New Republic*. 44: 319-20. November 18, 1925.

whatever it might be that the consumers would turn permanently to substitutes. Evidently they do not fear arbitrators' decisions under these circumstances. They have good reasons for this, which will be touched upon presently.

If the President should act to settle the strike, he would upset this plan. He has no power to impose arbitration, either for this issue or permanently. There is doubt whether even Congress could do more in this direction than to set up a voluntary board. Intervention if successful would necessarily result in a compromise. This would mean concessions from the operators in the present instance, and an undefeated union, which might make further gains in exactly the same manner after the expiration of the new contract.

The justification for the operators' position presented to the public is ingenious. We admit, say the operators, that you may be suffering from lack of coal and high prices. But that is not our fault. We proposed arbitration and a continuance of mining pending a settlement, and the miners refused both. We are now fighting for arbitration; if we win you will never have to suffer again. Therefore bear with your present discomfort in order to support us in your own interest. Do not call on the President for action. If you force him to act, the result is bound to be an increase in wages, which—say the operators with appealing innocence—will of course be passed on to you. And there is no end to that process.

Besides the temporary suffering caused by this course, suffering which must become acute before the operators could succeed in their purpose, the public incurs the risk that the miners may in the end remain undefeated and force a settlement which might be achieved now. Even if the plan can be carried through, however, it is necessary to examine its justice to the miners. For if the miners are unjustly treated they will become dissatisfied, and if they become dissatisfied they will in the

long run revolt again, no matter what arbitration machinery is adopted. The basic problem is not to set up a machine for settling disputes, but to satisfy the workers that they are receiving equitable treatment.

In previous issues we have explained why the miners are now willing to fight rather than arbitrate. They tried arbitration in 1920, overnight the "impartial" arbitrator changed his mind. He awarded only 17 per cent—precisely the amount offered by the operators before the arbitration began. The miners did not accuse the arbitrator of lack of probity. But they did ask why an individual unknown to them and to the industry should be given an arbitrary power over the kind of lives they, their wives and children must lead, when he had no similar power over their employers. Why should wages alone be fixed in this way, when prices and profits were not fixed—were not, indeed, even considered?

In the present dispute the operators refused to bargain with the union, or to make any substantial concession. They stood pat on a denial of union demands and a demand for an agreement to arbitrate. Voluntary arbitration is often employed by the American trade unions, it is true. But it is one thing for a union to engage in genuine negotiations for the settlement of disputes, backed by the economic power of a possible strike, and then to consent to arbitrate specific differences which cannot be settled by agreement. It is quite another thing to agree in advance of any genuine negotiation not to strike and to arbitrate everything, especially when the employers' profits are unknown and are likely to be called irrelevant by the arbitrator. Many unions employ voluntary and limited arbitration, but few, if any, sanction compulsory, permanent arbitration, whether imposed by the government or any other force.

Must the public then suffer periodic shortages of coal in order to avoid injustice to the miners? Must it in order to end each shortage, suffer higher prices following intervention and wage increases? We fear that

it must until it takes the initiative in revealing and controlling profits. Standardize accounting practices of the operators and bring about continuous publicity of the facts. End the undue salting away of excess profits in depletion and surplus accounts. Effect a pooling of profits so that the least efficient and most costly mine may not keep wages down and prices up. See that profits are considered by mediating or arbitrating boards. Do these things and it will be easier to give the miners justice, and to satisfy them with what they get. Do these things and you will make possible wage increases without price increases. Do these things and you will lay the groundwork for fair arbitration and hence continuous mining.

TRI-STATE BOARD¹

Another important matter which I wish to bring to your attention is the question of the anthracite coal monopoly. The industries and the people of New Jersey are vitally concerned with an uninterrupted and cheap supply of anthracite coal. The coal fields being so near our state, and the natural supplies of coal in the ground being so far in excess of the needs of the community for hundreds of years to come, there is no reason why anthracite coal should not be delivered to our people without interruption and at a much cheaper price than has prevailed in recent years.

The anthracite coal business is controlled by perhaps the most odious monopoly that ever arose among a free people. This trust maintains its power by the possession of two privileges: It has acquired control or ownership of 98 per cent of all the anthracite coal in Pennsylvania, which means the country. It is impossible for successful competition to be set up against the trust, no matter how high the price or how profitable the production of coal,

¹ From inaugural address of Governor A. Harry Moore of New Jersey. *New York Times*. 75: 9. January 20, 1926.

because of the fact that competitors cannot obtain any coal lands. The lands thus owned by the trust are not needed for the production of coal, but have been acquired and are held out of use for the sole purpose of preventing competition and sustaining the monopoly.

The other privilege enjoyed by the trust is that through the related organizations they control all the railroads leading out of the anthracite field. They have driven out practically all of the independent operators through the control of these railroads by discriminating against them in transportation. They have delayed deliveries and charged excessive freight rates and thereby made it impossible for existing coal companies to compete and have compelled them to sell out to the trust, until now the trust controls, directly or indirectly, nearly all of the operating mines.

These practices have been brought before the Federal Trade Commission and the United States court and have been denounced by both parties. The Sherman law has been invoked in vain. To attempt to break up the monopoly by regulation has completely failed. In the meantime the monopoly so grinds down the miners that they, from time to time, are forced into strikes against intolerable labor and living conditions. When this happens the strikers upon one side and the operator on the other engage in a bitter struggle, production ceases and there is no machinery by which the public interest can be protected.

This is an intolerable situation. Primarily it is the business of the national government, but the White House holds that the Constitution renders the President helpless, yet the Declaration of Independence says that men are endowed by their Creator with at least three inalienable rights, "life, liberty and the pursuit of happiness," and that to secure these rights our government was formed. Surely people are not happy when their little ones are cold or breathing the foul air of coal substitutes or when the illness of their loved ones terminates

in death, due to lack of fuel; or when their city must purchase coal substitutes, as mine does, and distribute it by the bag from the firehouses. A bountiful God placed the coal in the earth for the use of man, and what a terrible commentary it is upon our government that a few powerful men who had nothing whatever to do with the placing of it there can snap their fingers in the face of this which we are pleased to believe is the greatest government on earth.

While this is not primarily a state problem, yet, if forced to do so, it is entirely feasible to work out a remedy by state action.

With the cooperation of New York and Pennsylvania, a tri-state commission could be set up with power to condemn—acting through the state courts of Pennsylvania—a sufficient amount of lands containing coal to set up competition against the trust. These lands could be leased on very moderate royalties to operators willing to develop the mines in competition with the trust. A coal railroad could be then constructed from the mines to tidewater in New Jersey. This plan would absolutely destroy the anthracite coal monopoly and would bring to our people and industries a never-failing supply of coal at a price which it is estimated to be not in excess of \$10 a ton.

We have precedent for such action in the Camden Bridge, which is being constructed jointly with Pennsylvania, and the Hudson River Tunnel by joint action with New York—the cost of which will be upward of \$50,000,000. The plan I suggest could reach this sum. The plan to classify the business as a public utility and subject to regulation is impractical. The policy of regulation has completely failed to secure reasonable rates to our people for public utility service, such as transportation, telephone and electric light rates, and there is no ground for belief that it will succeed in this connection.

A government which allows its people to freeze demonstrates its failure as a people's government.

NEGATIVE DISCUSSION

FEDERAL REGULATION OF ANTHRACITE MINING OPPOSED¹

"A bill to regulate interstate and foreign commerce in anthracite coal and for other purposes," known as Senate Bill 2208 and introduced by Senator Borah, January 24, 1924, it is understood will be reintroduced at the next session of Congress.

Your committee on Internal Trade and Improvements wishes to call the attention of the Chamber to this proposed measure, and to secure the adoption of a resolution in opposition to any such legislation.

On March 3, 1921, this Chamber unanimously passed a resolution opposing two bills then in Congress; one to control and regulate the meat packing industry, and the other to regulate the anthracite and bituminous coal industry.

The resolution adopted at that time read as follows:

Resolved, That the Chamber of Commerce of the State of New York is opposed to the bills in Congress proposing to regulate meat and coal industries, because these bills are antagonistic to individual initiative, and efficiency, and economy in the conduct of business, while at the same time they represent a vicious class legislation which might inject politics into industry and lead to a general socialistic control, contrary to the fundamental principles upon which our government is organized.

The above resolution applies with equal force to the Borah Bill. It creates an anthracite coal division of the Interstate Commerce Commission. Its many provisions comprise six hundred and thirty-three lines, indicating

¹ Report and Resolutions submitted to the Chamber of Commerce of the State of New York by its Committee on Internal Trade and Improvements on December 3, 1925, and unanimously adopted. 4p. Chamber of Commerce of the State of New York. 65 Liberty St. New York.

the great details into which it goes and the endless amount of interference with the anthracite industry.

We consider this measure one of the most dangerous ever introduced to Congress. It goes farther toward putting the government into business than anything heretofore attempted. It not only declared "the production and distribution of anthracite coal are services indispensable to the health, comfort and welfare of the people of the United States," which is not true, but it proceeds to convict everyone connected with the industry through its assertion that these services "are subject to exorbitant charges and arbitrary control."

This measure not only gives the division of the Interstate Commerce Commission which it creates the right to investigate the ownership and title of the mines, but also "the persons connected with the anthracite coal industry directly and indirectly." The opportunities under this inquisition probably are without precedent in this country. It gives the commission power to compel persons engaged in commerce in anthracite coal to secure license from it and to suspend or revoke such licenses. In other words, it may say just who shall and who shall not engage in the coal business. It is to prescribe standards of weight, size and purity of anthracite and has even the power to issue mandatory orders with regard to the rents and royalties paid by operators and the prices for which coal is to be sold.

A point which requires special emphasis is that which authorizes the Coal Commission to serve as part of the main Interstate Commerce Commission in the hearing and determination of all cases involving anthracite freight rates, car distribution to anthracite mines and regulations of carriers affecting the anthracite coal industry.

Under this provision, the coal product of only eight counties in the state of Pennsylvania would be singled out for a closer measure of government scrutiny and in-

terference than any other in the country. The railroads which serve this industry would have imposed upon them a super-regulation far in excess of that of carriers which do not handle anthracite as a major part of their traffic. This super-regulation would compel the affected railroads to make a volume of special reports, as the commission may require, regarding their "organization, business, conduct, practices, management, and relations to other persons."

Obviously the adoption of any legislation of the sort proposed must necessarily serve to make a continuance of the anthracite industry even more difficult than it has been made as a result of the frequent strikes of the miners.

At the same time it is not desirable that new regulations be imposed on the railroads. Such a step could very easily break down once more the credit they have so laboriously built up since the government's experiment in operating them during the war.

The anthracite labor situation is complicated by the Miners' License Law which makes it unlawful for any miner, no matter what his experience or competence, to work as such in Pennsylvania unless he has been employed in that state for at least two years as an anthracite miner's helper, and has been granted a certificate by a state board of examiners composed of practical miners. Many important business interests in the state of Pennsylvania believe this law is unreasonable and discriminatory. It has had much to do with the serious trouble with which the anthracite industry has suffered since its passage in 1897.

Your Committee on Internal Trade and Improvements believes there is no more reason for congressional action looking to the regulation of the production and sale of anthracite coal than for similar legislation as to copper, wool, oil, wheat, sugar or any other staple commodity.

In view of these various considerations, your committee offers the following resolution:

Resolved, That the Chamber of Commerce of the State of New York reaffirms its action of March 3rd, 1921, and herewith declares itself opposed to legislation to regulate the anthracite coal industry along the lines proposed in Senate Bill 2208, introduced in the last Congress.

GOVERNOR PINCHOT AND THE ANTHRACITE MONOPOLY¹

In announcing his call for a special session of the Legislature of Pennsylvania, Governor Pinchot said:

The anthracite industry is a monopoly which has created such a relationship to the public that the stoppage of anthracite production is materially dangerous to the life and health of the people. The Attorney General has advised me that under the clear intent of a recent decision of the Supreme Court of the United States the anthracite industry, being a monopoly, may be declared to be affected with a public interest and, therefore, subject to regulation as a public utility.

In response to an inquiry made of the governor, the Attorney General has informed the writer of this article that the decision referred to above was that in the case of Wolff Packing Company vs. Court of Industrial Relations (262 United States 522).

It does not follow that even if an industry is a monopoly (and I shall later on show that the anthracite industry is *not* a monopoly), it may be regarded as a public utility. Indeed, it is not conclusive from the decision cited that the fact of monopoly is sufficient even to clothe a business with a public interest. The Supreme Court in that case said:

Businesses said to be clothed with a public interest justifying some public regulation may be divided into three classes:

1. Those which are carried on under the authority of a public grant of privileges which either expressly or impliedly imposes the affirmative duty of rendering a public service

¹ By Murray T. Quigg of the New York Bar. *Annalist*. 27:7. January 1, 1926.

demanded by any member of the public. Such are the railroads, other common carriers and public utilities.

2. Certain occupations, regarded as exceptional, the public interest attaching to which, recognized from earliest times, has survived the period of arbitrary laws by Parliament or Colonial Legislatures for regulating all trades and callings. Such are those of the keepers of inns, cabs and grist mills. (State vs. Edwards, 86 Maine 102; Terminal Taxicab Company vs. District of Columbia, 241 United States 252, 254).

3. Businesses which though not public at their inception may be fairly said to have risen to be such and have become subject in consequence to some governmental regulation. They have come to hold such a peculiar relation to the public that this is superimposed upon them. In the language of the cases, the owner by devoting his business to the public use, in effect grants the public an interest in that use and subjects himself to public regulation to the extent of that interest, although the property continues to belong to its private owner and to be entitled to protection accordingly.

This classification reveals clearly the great distance between the foothills of partial regulation of business, some features of which may be affected with a public interest, and the summits of public control occupied by public utilities. It is quite clear that the anthracite industry in no way resembles what are ordinary understood as public utilities. The coal operator has not, and has no need of, a public franchise. He does not use the public streets or the right of eminent domain. He does not hold himself out as offering a necessary facility to anybody who may demand it and be willing to pay a reasonable charge. He cannot be compelled to sell his coal to everybody, and he may, in fact, refuse to sell it to anybody.

The import of these facts would not be lessened even if the anthracite industry were, as the Governor charges, a monopoly. The control which the government exercises over a public utility does not arise because it is a monopoly. On the contrary, it is the government which makes public utilities into monopolies in order to justify the expense connected with such enterprises. They are artificial monopolies, more or less protected by the state in consideration of the duty they accept to

serve every one impartially at reasonable rates. The state may compel them to extend their service, even when any particular extension is unprofitable. Certainly the anthracite industry is not such an artificial monopoly. It requires no special privilege, and does not now, and never has undertaken to render any special service. It cannot be made to serve any particular public indiscriminately, but must, by reason of its natural limitations serve fewer rather than greater numbers of people in the future. It does not appear in any of its aspects to resemble the common conception of a public utility, and it is clear from the opinion of the court, that it cannot be made a public utility by a mere legislative declaration.

It is also obvious from what the court has said that the mere declaration that a business is one affected with a public interest raises, rather than settles, a question. Assuming for the moment that the owners of the anthracite industry have devoted their business to the public use, a fact which is in grave doubt, and that they have in effect granted the public an interest in that use, they have subjected themselves only to "regulation to the extent of their interest."

The Supreme Court said in the Wolff Packing case:

To say that a business is clothed with a public interest, is not to determine what regulation may be permissible in view of the private rights of the owner. . . . It is not a matter of legislative discretion solely. It depends on the nature of the business, on the feature which touches the public, and on the abuses reasonably to be feared. To say that a business is clothed with a public interest is not to import that the public may take over its entire management and run it at the expense of the owner. The extent to which regulation may reasonably go varies with different kinds of business. The regulation of rates to avoid monopoly is one thing. The regulation of wages is another. A business may be of such character that only the first is permissible, while another may involve such a possible danger of monopoly on the one hand, and, such disaster from stoppage on the other, that both come within the public concern and power of regulation.

Governor Pinchot's stated reason for regarding the anthracite industry as one affected with a public interest

is that it is a "monopoly which has created such a relationship to the public that the stoppage of anthracite production is materially dangerous to the life and health of the people."

This raises the question, What is a monopoly? The present wide application of this word will not permit us to venture a precise definition. Yet we may safely say this: A monopoly is a condition of control, exercised either by an individual or by a combination of persons, which tends to restrict competition, and, or, to fix prices to the detriment of the public. Unless an actual restriction is deliberately imposed there is no monopoly with which the law will concern itself.

Where, then, is the element of monopoly in the anthracite industry? This industry has been well to the fore in public consideration for several years, yet no aspiring Federal attorney has yet found evidence upon which to invoke the penalties of the Sherman law against the alleged iniquities of this industry. There are ten large scale producers of anthracite who together produce about 75 per cent of the annual production; and more than one hundred and fifty other operators who produce approximately 25 per cent of the annual production. The affairs of these operators have been recently most thoroughly examined by the United States Coal Commission, but no evidence has been produced to establish a concert of action that in any way suggests control by any individual or group. No operator is under the discipline of another, or of a group. Their product tends to sell at the price determined by the production costs of the highest producers, whose products the market will absorb. Any concert of action as to price by the operators to lower the price would force the closing of some mines, thereby curtailing supply. That would merely result in increasing the price of anthracite in the hands of dealers. Any concert by the operators to raise the price would curtail the demand to their own injury. The

very sense of the situation forbids an effective price convention.

This anthracite industry is in truth no more a monopoly than any other dealing in a limited natural product, such as copper, iron, cotton and hardwoods, which can only be found or raised in limited areas. Anthracite is not by any means a necessity to society. The state of Pennsylvania itself is one of the largest producers of anthracite's competing fuel, namely, bituminous coal. The vast majority of the people of the country, and a very large proportion of the residents of Pennsylvania, have never used anthracite; and all those who do use it must expect to use less and less of it because as the natural supply decreases and the face of the mines recedes, the cost of producing it must necessarily increase. It is by no means clear that because the owners of lands which supply a limited natural product have found or created a ready market, they have wrought so fast a relationship to prospective buyers that the government may impose some special regulation upon them. The Supreme Court, again in the same Wolff Packing case upon which the governor relies, said:

It has never been supposed, since the adoption of the Constitution, that the business of the butcher or the baker, the tailor, the wood chopper, the mining operator or the miner was clothed with such a public interest that the price of his product or his wages could be fixed by state regulation.

Perhaps the court did not have the anthracite industry in mind. Perhaps the fact that a limited natural resource diminishes annually in the face of an increasing market, may become the basis for a legal novelty. Will the state of Pennsylvania attempt to fix the price of anthracite sold in Pennsylvania because the supply is limited? If so, the people who mine it will sell all of it outside of Pennsylvania under interstate contracts that Pennsylvania cannot reach. Will Pennsylvania impose other restrictions on the business? If so, the operators will shut down or pass on the burden by still higher prices.

Or perhaps the fact that a labor organization has been permitted to establish such a monopoly control over the labor in that industry that it can and does shut it

down for protracted periods of time, while its members receive support, if necessary, from a competitive industry, may present an opening wedge for an extension of the doctrine now limiting the conception of a business affected with a public interest. But if the mere fact of the possibility of recurring stoppage in the industry suffices to clothe it with a public interest, then the extent of control which may be exercised must be limited by what is necessary to prevent a stoppage. The Industrial Court Act of Kansas passed in 1920 was aimed solely at the prevention of stoppage of essential industries by industrial warfare. Contrary to popular opinion, and some of the language used by the Supreme Court in construing the act, the act did not forbid men, either singly or in concert, to quit work. It did forbid and punish both representatives of capital and representatives of labor who organized the quitting of work or of shut-downs with the intention of preventing the operation of the industry until the demands of private parties should be acceded to. The state offered in exchange for this denial of freedom to stop essential industry, the opportunity for a fair hearing, and the benefits which might accrue from a temporary order laying down fair wages and working conditions enforceable against an employer until he and his employees could come to an agreement between themselves.

But the Supreme Court has held that in the packing industry, which is more essential to the general welfare of the state of Kansas than the anthracite industry is to the state of Pennsylvania, conditions may not be imposed even for a limited time. On the other hand, those sections of the act which make it an offense to stop a business by calling a strike are still in force and effect. It is difficult to understand how the anthracite business can be regulated in respect of any relationship to the public, which may conceivably be regarded as clothing it with a public interest, without reproducing in Pennsylvania substantially the condition now existing in Kansas.

In brief, the anthracite industry suffers from two misfortunes—one natural, the other artificial. Its natural misfortune is that the supply of anthracite is definitely limited. The artificial evil is that a labor organization, predominantly interested in a competitive industry and controlled by men who have spent their lives in a competitive industry has the power to stop production for its own interests. This power is aided by the laws of Pennsylvania which forbid any person to engage in the actual mining of anthracite who has not had two years' experience as a helper in an anthracite mine and procured a license from the state. By this device the union is assisted in maintaining its monopoly control over the labor of those who are qualified to mine coal.

Perhaps no one will have the temerity to suggest that anthracite miners should be without their trade union. Nevertheless, it must be within the power of the state of Pennsylvania, if it desires to exercise it, to prevent the representatives of a competitive industry from exercising coercive and disciplinary powers over any citizen of Pennsylvania who desires to mine anthracite coal. Certain it is that the state's failure to protect its own industry from the domination of an absentee control of the labor market does not justify the state in regulating the anthracite industry. Certain it is that the failure of the state to prevent or regulate a monopoly of labor does not justify the state in declaring any industry to be affected with the public interest and to treat it as something which it is not.

REPLY TO GOVERNOR SILZER'S ATTACK¹

Governor Silzer is wrong in his beliefs that the only solution to the anthracite problem is government regula-

¹ By W. H. Woodin, president of the American Car and Foundry Company; New York State Fuel Administrator in 1922. *Current History Magazine, New York Times.* 23: 247-8. November, 1925.

ton or operation of the mines. Every precedent proves the futility of recourse to government operation.

As a matter of fact, Theodore Roosevelt is responsible for the present high prices of anthracite. In the old days anthracite coal was sold on a stronger competitive basis. During his administration the unions brought about a strike and Roosevelt called the unions and the operators to the White House for a conference. The result of this action was that the operators had to get together for self-protection. This was the beginning of governmental interference and brought about higher prices for coal. Following the precedent established other regulatory measures were insisted upon. The railroads were not allowed to sell coal and selling companies were thereupon inaugurated with increased overhead and general expense in distribution. Then the railroads were not allowed to own their coal. Still other companies were formed to meet this situation. The whole result of all this governmental interference was the establishment of three separate corporations to take the place of one.

The whole history of government operation, not only in the United States but all over the world, proves it to be a past issue. The people of this country have had their experience with government operation in the case of the railroads, the Shipping Board and other utilities. It has proved a total failure and has gone out of fashion all over the world. Governments nowadays are making every effort to get rid of public utilities and turn them over to private interests.

As to the coal situation at the present time, it seems to me that the anthracite industry is killing itself. As the result of every strike the people are learning the use of substitutes and find them much cheaper than anthracite. After every fiasco the demand for anthracite has been appreciably lessened. A continued repetition of industrial disturbances means a gradual killing of the whole industry.

It is a very simple thing to solve problems of this kind by appointing investigating committees to render reports or to turn over the whole problem to the government for solution. Such procedure merely offers temporary relief to the minds of the public and to politicians. I think the Federal government has done well to refrain from interference and I thank God we have a President who thinks that governmental operation is the worst thing possible for the solution of a problem like the present one.

GOVERNMENT IN THE COAL BUSINESS¹

The coal industry has enjoyed the unenviable distinction of being the favorite object of attack by advocates of the extension of governmental control of industry. My observation is that at times there has been a quite ready welcome for suggestions of Federal interference in the industry on the part of otherwise supposedly fair-minded and conservative organs of opinion.

Many advocates of Federal interference with the bituminous coal industry usually fall back on one or other of the following assertions:

1. That the government must prevent any interruption in the supply of coal and excessive prices.
2. That the government must deprive monopolistic bituminous mine owners of their ill-gotten gains.
3. That the government should require the elimination of surplus mine capacity and a less wasteful operation of the mines.

Interruption of supply and high prices will be treated together, because one is obviously dependent upon the other.

¹ From address by Harry L. Gandy, executive secretary of the National Coal Association, before the Conference of Industrial Association Executives at the 30th Annual Convention of the National Association of Manufacturers. 11p. St. Louis, October 26, 1925.

It is my purpose to take up each of these lines of argument in turn and to consider briefly, on the one hand, what basis, in fact, there is for the implied accusation, and on the other hand what hope of improvement lies in governmental interference, whether state or national.

1. That the government must prevent any interruption in the supply of coal and excessive prices.

Nothing is so apt to arouse the wrath of the American people as the sudden increase in price of some commodity in general use. The World War brought in its train a general rise in price levels which was accepted with more or less patience as an inevitable consequence of war conditions. During the time when the prices of other commodities were rapidly advancing, that of bituminous coal was kept down by the regulations of the Fuel Administration. As the result of a remarkable combination of circumstances, the withdrawal of regulation, the bituminous coal miners' strike of 1919, the switchmen's strike of mid-summer 1920, and the failure of consumers to use ordinary business precaution in securing their future requirements of bituminous coal early in the season, the late summer and fall of 1920 witnessed an unprecedented advance in the price of bituminous coal. On that occasion an insistent demand for Federal regulation of the industry swept over the industrial east and was especially vociferous in New England. The fact that only an insignificant proportion of the bituminous coal marketed sold at high mine prices, had no weight—isolated instances of excessive prices were quoted as though they were typical.

The fact is that bituminous coal operators took less advantage of profit-making opportunities than did many other industries in those troublous times. It was by no means an unusual thing for an operator, even when not bound by contract, to continue to furnish coal to his regular customers at prices little, if any, above his then

normal fair-profit price. That the 1920 bulge in prices was due to temporary conditions was conclusively shown by the steady reaction which resulted in the depressed market of 1921.

There are two characteristics of the bituminous coal industry that should lead any observer to accept and take as a matter of course, a somewhat wider fluctuation in prices with changing conditions, than would be the case with most commodities. On the one hand, no adequate substitute for bituminous coal as industrial fuel can be obtained in a short time. On the other hand, the cost of fuel constitutes so small an item in the total cost of the finished product of most lines of manufacture that manufacturers are prepared to pay high prices if such prices are necessary. For these reasons even a slight shortage of coal causes a rapid advance in price. But it is a remarkable fact which needs to be emphasized that few staple commodities entering into greater use have shown smaller fluctuations in price year in and year out than has bituminous coal.

Such variation as there has been, except during and immediately after the war, has been brought about by one of three things, namely, general industrial depression, strikes in the industry, or inadequate transportation. The bituminous coal operators are prepared to mine and ship, at short notice, all the coal that the country can possibly need, and so long as an adequate supply is available it is obvious that unfairly high prices are an impossibility. Reduction in output in times of general industrial depression is economically desirable, for coal is not a commodity which can be advantageously stored in large quantities far in advance of the time of its need. Interruptions in supply on account of inadequate transportation facilities are very largely a thing of the past, if the recent performance of the railroads in handling eleven million and twelve million tons of coal for weeks in succession without a car shortage is taken, as it should be.

as an indication of their future ability. Interruptions as a result of strikes of mine employees are still a possibility and will be so long as the mine workers' organization sets its face against the peaceful settlement of wage disputes in the union fields, but even interruptions from that source will be less felt today than at any time for many years, on account of the growth of so-called non-union production.

Advocates of interference who base their demand on occasional interruptions of supply or advances in price, should be made to explain in detail how they think the situation can be remedied by governmental action. Regulation of the mining end of the industry will not make good deficient transportation, and unless a soldier is to stand at the back of every miner, no governmental orders will compel mine employees to mine coal against their will. Strikes do not become an impossibility through governmental operation or regulation, as is shown by the history of our railroads since the establishment of the Interstate Commerce Commission. Peace in the mining industry could be purchased even by governmental agencies only at the expense of yielding to every demand of the mine workers.

2. That the government must deprive monopolistic bituminous mine owners of their ill-gotten gains.

When mine prices are high some operators make money. During the runaway market of 1920 a few operators made big profits. The public became convinced that big profits were a normal characteristic of the bituminous coal mining industry and it became fashionable to speak disrespectfully of coal barons and coal profiteers. Here again let us briefly consider how much truth there is in the charge and what remedy the government would have to offer.

The normal condition of the bituminous coal mining industry is one of low mine prices and little or no profit for the operator. For many years before the war

it is unquestionable that the bituminous coal mining industry operated on a lower margin of profit than any other important mining or manufacturing industry in the country. During and immediately after the war prices were relatively higher. Today, however, the industry is running true to form, and is again fueling the country at little or no profit to itself.

What the slump in prices that occurred in 1921 after the so-called run-away market of 1920 meant in terms of profits to the bituminous coal mining industry may be seen from the fact that of the companies reporting to the income tax unit on that year's operation, and the net gain to the entire industry, obtained by deducting the losses of the unprofitable operations from the gains of the profitable companies, was less than the amount paid as tax to the Federal government. In other words after taxes were paid, the industry as a whole showed in red ink in the ledger the results of the year's operations. The condition today in that respect is not far different from the condition in 1921.

Even if it were true that at current prices some operators made large profits, how would the government go about correcting that situation? So long as coal must be mined from operators with higher costs, the price must be high enough to induce operators of such mines to turn out coal. Is the government going to insist that the operator with the low cost operation must sell his coal at a low price in the same market in which the coal of the high cost operator is sold at a high price? Such an attempt would be doomed to failure not only because of the impossibility of tracing individual shipments of coal to make sure that their selling price did not yield more than the government regarded as a fair margin above cost, but also because the confused market conditions that would result would cause far more loss to consumers of coal than would be involved in paying a uniform market price regardless of variations in cost.

3. That the government should require the elimination of surplus mine capacity and a less wasteful operation of the mines.

Much is heard at the present time about the great excess of mine capacity. We are told that the number of mine operators should be reduced by a third and that two hundred thousand or more coal miners should be forced out of the industry. How much truth is there in this charge and how would the government bring about a reform even if desirable?

Undoubtedly if every bituminous coal mine in the country operated three hundred days in the year more coal would be produced than the country could consume. As a matter of fact, surplus producing capacity is a typical and healthy characteristic of a rapidly developing community. I very much doubt whether the much bruted excess in the bituminous industry is any greater than that in many other lines of activity.

It has been suggested that the government should acquire title to all bituminous coal deposits and should lease the privilege of operating under such regulations and restrictions as would prevent the development of excess capacity. I need not dwell upon the difficulty or practical impossibility of determining just what is necessary and what is excess capacity. It would be the most short-sighted of policies to limit mine capacity to the point where a sudden demand for a large output could be met only after opening and equipping new mines. Then there is the inevitable tendencies which would develop in a democracy like ours for any bureau having such tremendous power as would be involved in the authority to regulate the opening of coal mines all over the country, to use that power to further personal ambitions, personal friendships or political expediency. Such a power would go far beyond that now lodged in any Federal agency, even the Interstate Commerce Commission.

Surplus labor in the industry is not held there by force of arms. The door of employment swings outward as well as inward, and any bituminous coal miner who regards his yearly earnings as unsatisfactory on account of interrupted employment is at perfect liberty to seek a higher reward in some other industry. In modern machine equipped operations, bituminous coal miners are no longer especially skilled men. Unskilled labor is mobile labor and can easily flow from industry to industry. Unskilled labor is in demand in this country owing to the restrictions put upon immigrants coming from other countries. And yet in 1923 there were nearly 10 per cent more men in the bituminous mines than in 1920 producing about 10 per cent less coal. Is it any wonder that the average days worked dropped from two hundred and twenty in 1920, to one hundred and seventy-nine in 1923? Thus there was no flow of labor from bituminous coal mining.

Figures become still more significant if we compare the record of the three union states, Ohio, Indiana, and Illinois, on the one hand, with that of Kentucky and West Virginia on the other hand. Production in the three union states in 1923 was 11 per cent less than in 1920, while the number of men employed in the same states in 1923 was 12 per cent greater than the number employed in 1920. On the other hand production in the two non-union states was 22 per cent larger in the later year and the number of men employed 16.8 per cent greater. These figures being interpreted mean that in the non-union fields, demand for increasing production was met partly by more efficient operation and partly by increasing the labor force, whereas in the union fields just named, with their high wage scale, the number of men increase 12 per cent at the same time that the output diminished 11 per cent.

The point that I am leading up to is this: It is easy to deflate mine capacity. Unprofitable mines will close

voluntarily or under compulsion in due time. It is not so easy to deflate the labor supply of an industry whose rates of pay and working conditions are so attractive that more and more men flock into it at the very time that the number of days of operation is falling off. There is one way to deflate the labor supply, and that is to allow economic forces to work themselves out, and to reduce the inflated wage scale to a point where the earnings of part-time operation will no longer be so attractive as to draw a constantly increasing supply of men into the industry. That one and only method of deflating labor in the industry is the one method which no government in a democratic country could undertake to apply. There are unmistakable evidences that natural economic forces are rapidly accomplishing this reform.

There are people so seemingly ignorant of what is going on about them and so apparently incapable of learning from experience as to advocate governmental interference in the coal mining industry for the sake of promoting efficiency. It has been a commonplace of economic philosophy since the days of that canny Scotchman, Adam Smith, that governmental handling of industrial matters is sure to be inefficient. For evidences of the wisdom of that doctrine we need look further than to the record of our own government's handling of railroads, airplanes and ships during and since the war.

Bituminous coal operators are not as inefficient as critics of the industry seem to believe. In the matter of extraction for instance, whether 60 per cent or 80 per cent or 90 per cent should be extracted depends largely upon the prices which consumers are willing to pay for coal. Practically 100 per cent extraction is possible if the operator can obtain a price to recoup him for the large expense involved. If the government is going to undertake to secure a higher percentage of extraction, it must compel consumers to pay the price.

COAL—THE OPERATOR'S STORY¹

Even the most violent partisan of the operator or the miner must admit that the public has abundant reason to complain about the regularity with which coal production is suspended. Organized labor has operated in the coal field for thirty years. For the first ten years, roughly speaking, a new wage agreement was negotiated annually; for the last twenty years, about every two years. On each such occasion there was either a strike or the threat of one. The public has reason to complain that it is thus regularly inconvenienced by the quarrels of others.

The history of these strikes discloses the interesting facts that they were all caused by the operators refusal to grant an increase in pay. Each time the public was led to believe that the money demanded could be subtracted from coal profits without increasing the selling price of coal. It is, of course, wide open to question whether any group of workers can on twenty successive occasions in one generation be granted a percentage increase in wages compounded. But, it is something of a mystery that after thirty years of such experience there is still doubt as to whether these increases can be paid out of profits or whether they must be added to the price of coal.

Many attempts have been made to find an exact mathematical answer to this simple and direct question: "Can the operators pay out of profits the demanded wage increases?" Such efforts have failed invariably because the mathematicians have insisted upon assuming that if the pay increase to the "contract" and "day" labor was so much a ton, the "labor cost of production" should be an exactly commensurate amount. That is an interesting theory, but it fails to take account of the fact that the "contract" and the "day" worker may not do exactly the same amount of work after the increase as he did

¹ By George H. Cushing. *Independent*. 115: 233-5. August 29, 1925.

before. And it overlooks the possibility that under "working conditions" the contract may stipulate that more men shall be employed to do the work.

It usually works out in practice that the higher the pay, the less the volume of work that may be expected. And it is the experience of the operators that as the scale for a given job rises more men must be employed to do it. Because of those facts, it has proved impossible to calculate in advance the exact effect of any wage change. And even later, it has proved impossible to compute the "labor cost of production" in any such way as to make it square with the wage rate. The only practical method of procedure is to total the sum paid out in wages and to divide into it the total number of tons of coal produced. This has given an accurate figure which later dictated the price of coal. But, when it bore no exact relation to the provisions of the scale, the public proved both skeptical and resentful.

The controversy over this question has raged for thirty years, within which time but three statements have been made which confirm the operator's assertion that he cannot pay all of these wage increases out of profits. The first was made in 1911 by E. W. Parker, statistician of the United States Geological Survey, who said that on the average the operators of Pennsylvania had never earned more than 2.35 per cent on their capital. The second statement was made by Dr. Harry A. Garfield, United States Fuel Administrator, who said in December, 1919, that the bituminous operators, while charging war prices, could not grant the miners more than a 14.5 per cent increase in wages without increasing the price of coal. The third was made by the United States Coal Commission which said in 1923 that the profits of the anthracite operators had ranged between 35 cents and 38 cents a ton. These figures cannot be stretched to make any such earnings cover the percentage increase demanded by the miners. In fact, when Governor Pin-

chot gave the anthracite miners a 10 per cent increase in 1923, he estimated that the increased cost of production would be 60 cents a ton—nearly twice the profit of the operators under war prices. Therefore, it is proved that the operator cannot pay the increases in wages out of profits. This means that if increases are granted, the consumers must pay them.

When we thus have mathematical proof that the consumer pays all wage increases—a proposition which conforms to every man's experience—the most natural questions are: Why should the operator offer so much resistance that these periodical strikes are brought about? Why should the operator cause the public to suffer the inconvenience of a strike and a coal shortage when the public pays the bill? What quixotic mood induces the operator to fight the consumer's battle when on the face of things not a dollar of profit flows to him, but when the whole expense of the battle comes out of his own pocket?

The real battle is seen to be between the miners and the consumers. The miners want higher wages; the consumers want the coal. Why should the operator not let the miner have the wages and the consumer an uninterrupted supply of coal? Why not consent, offhand, to anything the miners want, and pass the bill on to the public? Why incur public wrath over a strike and political interference with the details of management for the sole purpose of protecting the pocketbooks of the consumers?

The answer to these questions is purely practical: coal is used only to create heat and that heat is then translated into power. Anything that will make heat will create power; and power is also generated by running streams. The operator is selling, therefore, only one of many sources of heat and power. If he is to sell it, he must keep the price below the natural cost of other sources of the same heat and power. That is, the opera-

tor by resisting the wage demands of the miners is striving to protect his business from destruction. Also, the operator has learned by experience that the consumer becomes sentimental over the miners when they are campaigning for a wage increase, but he reverts to the practical the instant he is asked to pay the resultant bill. After thirty years of such experience, the operators have learned to close their ears to what the press and public say about the miners during a wage conference and to concentrate upon what they are both going to say later when the price of coal rises. That explains the seemingly cold-blooded attitude of the operators during a wage conference or strike.

A full and exact understanding of the labor situation in coal is impossible unless one takes into account three situations—that which comes just before the strike; that which is prevalent during negotiations and the strike; and that which comes after the strike. At such times, the press and the public officials constitute an outspoken unit in saying that "something must be done about it." By daily contact with them, the operators know that at least 80 per cent of the miners realize that the price of coal must come down or they are likely to lose their work and their jobs. Thus, the operators are justified in assuming that a readjustment will be easy and that the public will support even a violent effort to effect it.

But the leaders of the union, supported by 20 per cent of the miners, are convinced that to hold their jobs and their control of the union they must "deliver the goods"; that is, they must get an increase in wages and a reduction in the amount of work. They realize that this must mean an increase in the price of coal. They have every reason to believe that when it becomes an accomplished fact the public will rebel. Nevertheless, they decide to take a chance. Relying on their belief that the rank and file of the union's members, the users of

coal, and the press and public officials will finally realize that the steadily rising increase in cost of coal must stop somewhere and sometime, the operators permit the men to strike. And relying on their ability to stampede the men and the public, the union leaders call a strike. In part, the union leaders have proved to be right, invariably. Always, the conservative 80 per cent of the miners have joined the radical 20 per cent in the strike; the consumers have demanded coal instantly, regardless of the ultimate cost of such a decision; and the press and public officials have demanded that the strike be stopped.

However, the real—as opposed to the sentimental—reaction does not come until after the agreement has been signed. Then, when the wage increase is exactly measured in cents per ton—and especially when it approaches a dollar per ton—and when the cost is added to the price of coal, the public is aroused. It is then that we hear the demand that the “government should regulate the coal industry.” It is a recurring farce which has many elements of pathos. One can readily understand why the 80 per cent of conservative miners can be inspired to fight for another percentage increase in wages. It is difficult to understand why the consumers, the press, and the public officials will allow themselves to be stampeded every time into consenting to a bill which they must pay later.

This concurrence would not be given so readily if the consumers, the press, and the public would actually read and understand the contract. The most important items are contained in those clauses which apparently have nothing whatever to do with the scale itself. For instance, twenty years ago, the “practical miner” and his helper did all of the work—undercut the coal, prepared and fired the shots, set the timber to support the roof, pushed the empty car up to the coal pile, shoveled out the coal, pushed the loaded car back to the room neck, lay the new track up to the new “face,” tested the air for gas, and then did the whole operation over again.

But in twenty years one change after another has been made until today each one of these acts is performed by different men or gangs of men. That is, the amount of work has been divided by about four, and the number of men employed to do it has been multiplied by eight or more. The public, with its eye fixed only on the wage scale, has never seen or known about the increased costs concealed in these "working conditions." But it is these things which explain better than even the 20 per cent wage increases the rapidly rising cost of coal production.

While the operators are battling with these stubborn facts, our public officials, wholly unconscious of most of them, have presumed to take direction of the negotiations. While doing so, they have concerned themselves only with "the public welfare" phase of the matter—the assumed danger that the people will freeze, be thrown out of work, and starve because coal—which is power—cannot be had. And while their alarms over these dangers have been real enough, the assumed cause of them has been, in the main, a chimera. That is, it has happened frequently that the people have, for a brief period, not been able to get exactly the grade and size of coal they wanted or were accustomed to use. But in an experience extending over a century and a quarter, it has happened only once—namely in January, 1918—that we had an actual shortage of coal; that houses lacked coal, and factories shut down because coal could not be had. And the one shortage came in the midst of a war and need not have occurred then, but for the fact that as a nation we had allowed amateurs to experiment with our fuel supply and its distribution.

Coming to a conclusion of the whole matter, it will be found that a proper understanding and adjustment of the situation in the coal-mining industry has been delayed too long by the intrusion of too much sentimentality upon a very practical matter.

CASE FOR ANTHRACITE COAL¹

No industry has been so thoroughly or so frequently investigated by state and national commissions, and yet its major problems are imperfectly understood. And almost every day, it seems to us in the industry, there is a contribution to further misunderstanding. One governmental body has recently issued a statement purporting to show exorbitant prices at which anthracite coal is currently being sold. By close examination it develops that this report relates only to a trifling percentage of the output—the so-called "premium" coal—but the headlines convict the whole industry of extortion. Another government official publicly states that he is told that 20 per cent of the coal shipped contains an unfair proportion of rock and slate. This statement, which could not be based upon investigation of the facts and which I believe to be grossly untrue, carries to millions the belief that they are being swindled as well as overcharged. Out of a multiplicity of such reports as these grows a public opinion that tends to preclude just and wise determinations of public policy.

Admittedly, in contrast with the bituminous industry, anthracite has been stabilized, highly organized, and not over-developed. Yet these very characteristics are today the object of critical attack in that it is alleged to be operated under monopoly conditions, and is invested with a public interest, which requires either public regulation or government ownership and control.

Under such conditions, it is obvious that the industry cannot thrive, unless there be mutual understanding of the problems involved in the operation of the industry.

At the outset this question arises—"Is anthracite coal a monopoly and so invested with a public interest as to require, in contrast with other industries, a special

¹ By S. D. Warriner, president of The Lehigh Coal and Navigation Company, at conference of The American Academy of Political and Social Science. *Mining Congress Journal*. 10: 33-5. January, 1924.

rule of conduct both in practice and in law?" If we answer, "Yes," to this question, and say that the anthracite industry must be run like a public service corporation, under a special code of business ethics, with regulation as to methods and a limitation as to profits, then, by the same token, we must be prepared to ensure to capital investing in this industry, guaranteed return, and protection from competition, as in the case of public service companies.

The practical result of treating anthracite as a public utility would probably be to fix prices at higher levels than under private control. The government would be obliged to permit, and possibly guarantee, a constitutional return on the investment which would be much greater for the industry as a whole than the existing rate of return as found by the United States Coal Commission. For the ten years beginning 1913 the average margin per ton after deducting Federal taxes is about 33 cents. This yields an average return on the book values of the property of less than 5 per cent, and the book values are substantially lower than the valuations of the engineers employed by the Coal Commission.

If, on the other hand, we answer that anthracite is not a public utility, then the freedom of this industry as a private enterprise must be maintained under the same laws and the same regulations that govern all industries, guaranteed by the American Constitution.

My own answer to this question is, that although anthracite is certainly invested with a public interest in that the people of a limited section of this country find it a desirable fuel, it does not acquire thereby any greater investment of public interest than does any other commodity in common use.

A monopoly cannot be oppressive unless there goes with it public necessity for the commodity monopolized. This is certainly not true with anthracite.

The Coal Commission itself, although claiming an-

thracite to be a limited monopoly, says, "The main remedy, however, against extortionate prices lies in the consumer himself. There are substitutes for hard coal, and a readiness to resort to them is the ultimate and effective defense against an unreasonable price."

Secretary Hoover's commission of experts appointed to investigate the subject of community storage says emphatically that anthracite is not a public necessity, that in no community examined was it an exclusive fuel, its use varying with its price as compared with other fuels, from 2 per cent of the total fuel used in a city like Indianapolis to 60 per cent in a city like Buffalo. Even in the heart of New England only 42 per cent of the fuel of Worcester was anthracite.

Any position, therefore, of government regulation which limits the constitutional rights of investors in this industry must either be prepared to furnish substantial guarantee sufficient to attract capital in the anthracite business by freeing it from competition, or else the effort would be so evidently one of hostile class legislation, aimed at a particular industry, as to be obviously unconstitutional and ineffective.

There are two major problems. First, the industry in its labor relations. Second, the industry in its relations with government.

The question of labor is of predominant importance.

Sixty-nine cents out of every dollar of production cost goes directly to labor. The annual labor bill, for mining practically the same amount of coal, has increased from \$113,000,000 in 1914 to approximately \$335,000,000 under the terms of the Harrisburg agreement.

Labor relations in the anthracite industry are the direct cause of our present economic trouble. Without constant strikes in the last two years, there would be no shortage of coal, no runaway prices, no present problem of public interest.

Do anthracite wages compare favorably with wages

in other industries, and have they been adjusted to compensate for increased costs and higher standards of living?

For twenty-five years, there has been no recession in wage rates, and there has been steadily improved opportunity for employment throughout the year. The industry compares more than favorably with other industries in stability of operation. The average yearly earnings of anthracite workers continuously accepting employment is about \$2,000.

As compared with the base period of 1914, anthracite labor has been increased 188 per cent as against 115 per cent in manufacturing and 131 per cent in railroad-ing.

As compared with an average hourly rate of 55 cents in all industries in this country for skilled and unskilled workers, the minimum wage for outside common labor in the anthracite field is $57\frac{3}{4}$ cents.

Anthracite labor has the protection of the strongest union in America. It is recognized, met with and contracted with in the negotiation of all agreements. Furthermore, there has been in existence since the Roosevelt Award of 1902, an industrial government in the Board of Conciliation with an umpire, under which the worker is protected against injustice or discrimination and through which any grievance, however small, can be arbitrated and adjusted. The district presidents of the union on the board and the local representatives in each colliery represent the men. The most advanced social reformer could hardly suggest better protection and it is a fact that no just grievance goes long unredressed.

Do working conditions conform to advanced standards as to hours of work, opportunities for advancement, for recreation, for education?

There is the universal eight-hour day. The contract miner seldom works more than three-quarters of this time. There is every opportunity for advancement to

the higher positions of skilled miner, many of whom earn \$3,000 to \$5,000 per year. With an increase in the cost of living compared with 1914 of only about 64 per cent, and increased earnings of 188 per cent, standards of living are obviously improved. Recreation and education in as good schools as are existent in any part of the country are available to all.

These are the outstanding facts of an industrial organization which certainly has the foundation on which a structure of helpful cooperation ought to be built and which challenges the criticism of the most advanced thought—an eight-hour day, high wages, conciliation and arbitration, and a strong union. Yet, curiously, of all the voices raised against the industry, the voice of labor has been the loudest.

As to wages, I recognize the responsibility of industry toward employees and am as insistent as anyone to secure for them the full fruits of their toil. No one doubts that labor today is in the ascendancy and if the "white collar" class is not disposed to compete for the increasing fruits of labor they must be prepared to pay the bill. But there is a more fundamental question to be answered. Anthracite is but one branch of our industrial life. "Organized labor is so dominated by the idea of class conflict with the employer on one side and wage earners on the other that it overlooks other conditions of more importance. It fails to see that there may be injustice in the relations between workers in the various branches of industry to each other as well as to the other employers and employed. The rise in the price of fuel reaches beyond the mine owners and the employing class and comes home to the entire body of people who work for wages." There is fundamental injustice in this situation and it is questionable to what extent and how long labor in one basic industry like coal can impose a tax on other labor by increased wages and expect other labor to buy its product.

Criticism of labor relations in the anthracite field is often based upon the conditions of twenty years ago. Whatever may have been the abuses at that time through the dominance of the employer, the union must now see to it that in its own dominance even greater abuses do not exist. The present industrial organization is not working well, ideal though its provisions may be, and the responsibility for this condition must rest with the party in power. The union need no longer be a militant organization. Constructive cooperation and support of the common weal must supplant destructive antagonism. The union reached its present position by bargaining collectively, by keeping inviolate the contracts it made, and by submitting to the arbitration of a third party unsettled disputes. An unfortunate change has now set in. Its present tendency to substitute force for persuasion, to resist arbitration, and to employ direct action by means of illegal strikes instead of appeal to the tribunal of reason provided for in the agreement, are rocks which may wreck its progress in public esteem, just as surely as it may wreck the industry from which it draws its livelihood. Sane leadership must assert itself. Will it meet the emergency?

No one is more desirous than the operators to keep down prices. They realize the advantages of satisfied customers, and the dangers of a price which invites an invasion of their markets by competing fuels. They are not satisfied with the present situation.

Relations with the government is a delicate problem. Restrictive laws forbid cooperative action, essential to efficiency and self-regulation, while the public and public officials blame the industry for lack of self-regulation. Group responsibility cannot justly be visited on any industry where laws deny freedom to act as a group. Out of this contradictory situation have arisen most of the difficulties of the anthracite industry and obstacles to improved service in the interests of the public.

Although the United States Coal Commission found that "coal and transportation are a single service," our legislatures, our executives and our courts have spent years in divorcing these activities.

Although transportation rates are regulated and fixed by a governmental body and the operators have no control over them, nevertheless public criticism has been directed against anthracite freight rates, and operators have been just as much criticised on this ground, as on any other account. Public regulation in this respect at least has not brought greater public satisfaction than private management in the anthracite industry.

The anti-trust laws are perhaps the greatest cause for inconsistent policies and unjust criticism. The public criticises the entire anthracite industry for the occasional malpractices of a few and denies that industry freedom to cooperate for their correction. As a case in point, it has been suggested by the governor of Pennsylvania that the operators endeavor to control the activities of some fifty-five thousand retailers by refusing to sell coal to those who charge higher retail prices than in 1922. Under the decision of the courts, we cannot under existing laws, Federal or state, resort to such measures.

It has been suggested that the arrangement proposed by the governor, although forbidden by the Sherman Act, would be lawful under the common law of Pennsylvania as confined to purely intrastate transactions. Even if this were so, the result of the arrangement would be to benefit the consumers of the small percentage of anthracite coal which is used within the boundaries of this state, at the expense of the consumers in all the other states.

This leads to the question, should we not revise our anti-trust laws as applied to industry of this character and place upon the industry—for a fair trial at least—the full power and responsibility of self-regula-

tion? Certainly it is not sound public policy to transfer from experienced managers to the political arena, the regulation and control of this industry until the managers have been given an opportunity to try and work out their problems under laws which permit collective action and self-correction.

There is grave danger that the popular sport of hunting coal operators will frighten capital from the industry and thereby injure those workers and communities dependent on it without the slightest benefit to the consuming public. Give a dog a bad name and you know the result. Efforts to discredit the industry and unfairly regulate or tax it will in the end militate against the best interests of the state.

For example, Schuylkill County is endeavoring to base its taxes on a valuation of \$437,000,000 as compared with previous valuations of \$62,000,000. Other counties do likewise. Thus an exaggerated valuation is placed on the property within the state for the purpose of local taxation, while the Coal Commission presents figures of only a fraction of this amount for the purpose of determining what is a fair rate upon invested capital.

An extraordinary situation has arisen in connection with the Pennsylvania anthracite tax. Last winter anthracite prices were controlled by the Pennsylvania Fuel Commission, and the operators kept down the price in the public interest. But when the operators made returns required for this tax, based upon the prices at which their coal was sold, the Auditor-General announced that these prices were below the market value of coal and that the commonwealth has assessed for taxation the coal sold during the control period at much higher prices, thereby asserting as a fact that, generally speaking, the operators have sold their coal for less than it was worth.

Has not the time arrived for the public and the government to change its attitude of blind hostility and

to endeavor to reach a clear understanding of the essentials of the industry with a view to constructive cooperation in the interests of all concerned? The anthracite industry, I believe, is managed by men who in ability, character and consciousness of social responsibility are the equal of other captains of industry. All of its decisions on major policies are of necessity made with a regard to public opinion and public interests. The industry performs a useful service, pays high wages, observes good working conditions, cooperates in community welfare and takes unto itself a margin of profit which is moderate indeed as business standards go.

The embarrassing situation in which it finds itself is not due to the selfishness or stupidity of anthracite operators, but to obstructive laws and the inherent intricacy and difficulty of the problems with which it is confronted. Its principal danger is that an all to busy American people will not find the time or opportunity properly to study those problems before passing judgment. But—

Let's turn the hose of common sense."

"On fires that burn with heat intense,

REAL ISSUE IN THE COAL INDUSTRY¹

The coal man as a result of bitter discipline is used to hardships. He has become reconciled to troubles which no other industry has had to contend with. But there is one trouble that he cannot get used to—he cannot continue to do business at a loss. I am inclined to look beyond the wage question for the real issue in coal.

If a coal man shall continue to sell coal at less than cost, if he persists in selling coal the mining of which costs \$3.00 per ton, for \$2.50, no power on earth can keep his business from bankruptcy.

¹ From article by J. F. Callbreath, secretary of The American Mining Congress. Address before Cincinnati meeting of Practical Operating Officials. *Mining Congress Journal*, 11: 272. June, 1925.

If he persists in mining coal for which there is no apparent market and shipping it to a supposed market, there to await a purchaser, while the demurrage charges on the cars which carry it slowly absorb its value, no power can keep that foolish man from bankruptcy.

And when he is bankrupt his power is destroyed either to protect and support his own home or to provide the employment necessary to the support of other homes.

The coal industry is cursed with capacity for over-production—according to a very careful analysis made just before the war the then coal mines of the country operating three hundred and twenty-five days could produce seven hundred and eighty million tons of bituminous coal annually.

It would be a public calamity if government shall be permitted, either by consent or by usurpation, to control the individual, and require him to follow the only course by which his business can be made profitable. It would be an equal public calamity for any government to have power to prevent him from making his business profitable.

For a considerable number of years the trend of public thought was strongly toward governmental regulation and interference. The movement toward socialism in government staged its great initial effort under the guise of conservation. We were told that the natural resources of the nation belonged to all the people and that it was the duty of the government to continue this ownership in order to prevent monopolistic control. With the power resources of the west under control of the Federal government it became necessary either that the government should go into business or that the west should stagnate.

This iniquitous policy naturally led to governmental interferences in other lines of business. As citizens we have a broad relation to other citizens and business men

and we have a broad relation to our government. Our relation to each other is best served by the success, along legitimate lines, of each individual enterprise. Only through business success can we meet our highest duties as citizens to each other and to the state.

The policy of the government toward business as a whole is of paramount importance to us, not only as citizens, but as business men and as coal operators and we can be thankful that today we have a governmental policy which has declared that there is no real controversy between business and government; which has declared for the utmost progress of legitimate business without governmental interference.

We are gratified, highly gratified, by the new policy of the Federal Trade Commission, the majority of which has recently declared that so long as they remain a majority the commission will act upon the theory that "business success is not a crime; that business failure is not a virtue; that wealth is not presumptively wrong; that poverty is not presumptively right; that industry, economy, honesty and brains should not be penalized; that incompetence, extravagance, idleness and inefficiency should not be glorified." And immediately from the ranks of those who believe in government by inquisition and who have heretofore lauded the commission, comes a demand for its abolition.

We have an executive governmental policy which has directed itself toward the cutting down of expenditures, toward the weeding out of useless governmental functions, which has, in short, declared itself for a lean government. This comes at a most opportune time. It comes at a time when we have among us demagogues who would govern us by intimidation, by scandal and by blackmail; when we have public busybodies on the public payroll who would govern us by a series of fact-finding and fault-finding committees and commissions overlapping each other like the scales on a fish.

This policy of the administrative and executive branches of the government toward greater economy, toward less expenditures, toward less meddling and intrusion into the private affairs of citizens has not yet percolated down through the legislative functions of the national government, and it has especially not penetrated the state governments. For them has come down all of those meddlesome, interfering, commission-mad forms of policy which we adopted in such profusion during the war-time hysteria. As a result, there is dripping out of all the legislative branches of the government, both national and state, wild proposals for the regulation of affairs which are foreign to the proper business of government.

The proper function of a government is to provide justice and protection to its citizens and, when it goes beyond that, it is drifting away from free government.

The type of legislation which would regulate the price of wheat, or cotton, or corn, or any basic commodity is as futile as to pass laws regulating the temperature.

Our law making bodies are legislating on moral questions, on economic questions, on scientific questions, when the only questions which are the proper subject of legislation are man's relation to society.

What is the answer to all of this potpourri of mad legislation, this belief that the American people may by legislative enactment lift themselves by their economic bootstraps.

It is simply this—that as to government there is a very real issue before us which calls for a stern rebuke to that type of legislative mind which would force such conditions upon us, as this mass of legislation is bringing—that we as citizens should see to it that legislatures adhere to those simple fundamental principles of government which guided our republic for one hundred and fifty years.

These are important issues, but the great issue of the coal industry, may I repeat, is the problem of selling its product at a profit.

The central thought has looked toward greater efficiency in coal production, but will the operators who need it most reap the advantage, or will it go to the consumer? I admire altruistic efforts, but altruism must be practical to be of service.

Intelligent selfishness is the basis of all real progress. I believe the time has come when the coal operator should apply that rule.

President Grant once said with reference to sound money payments, "the way to resume is to resume." The way for the coal operator to meet this great issue is to lay down the rule that hereafter he will sell no coal except at a profit.

If the industry, as a whole, after struggling with this problem since 1910, finds itself unable to solve its problems—if the government stands with the club of the Sherman Anti-Trust law at the portal of a sane solution of coal problems and says you shall not, as an industry, agree upon a sane economic management of your business—then it is up to each individual coal operator to solve his own problems and the problems of the industry, by refusing further to produce coal which he cannot sell at a profit. This solution can be applied immediately, effectively. That is the real issue and there is no other practical remedy.

COAL DEADLOCK¹

In this crisis the operators have proposed the only feasible recourse, arbitration. In the interest of peace and productivity, they abandon the legal right to do as they will with their own. In place of the national supervision proposed by the Coal Commission, they are will-

¹ From editorial. *New York Times*. 75: 22. February 4, 1926.

ing to set up the industrial equivalent of local self-government—collective bargaining with the arbitral award controlled by representatives of the public. It is a solution in harmony with our most ancient and ingrained traditions, in harmony with all that is best in unionism, and at the same time forward-looking, progressive. It is precisely in line with the new Railroad Labor bill, which is backed by both carriers and railway unions.

GOVERNMENT OWNERSHIP AND CONTROL OF COAL¹

It has been the universal experience of mankind that government control, whether by outright ownership or by price-fixing, tends to destroy initiative and to reward inefficiency. There are economic laws which enforce themselves, whether the persons in business be individuals or governments.

The usual argument applied to government ownership or control of coal is that it would give assurance of low prices and steady supplies. There is only one way to assure low prices, and that is to maintain low costs. Nobody, not even the United States government, can go into the coal business, sell coal for less than it might cost, and continue that policy. It is true the government could and even might quote prices below what it had actually paid for the work, but that would be merely creating a deficit which would have to be made up by taxation so that the net result would not be changed.

Whether supplies would be steady under government ownership is a nice question. Supplies would be constant only if work were constant. A strike would stop production even if the government owned every mine in the country. Of course, men might be driven to work in the mines by soldiers, or the government

¹ *Government Ownership and Control of Coal.* 4p. mim. Anthracite Operators Conference, Philadelphia, Pa. 1925?

might select citizens by lot and compel them to go into the mines. Such things would be quite possible, but in such event Americans would no longer be free citizens in a free country. They would be "subjects" of a despotism.

It is idle to think that the government, by taking over the coal properties of the country, would be providing a simple solution of a simple problem. Direct price control, by government, of any basic commodity involves:

- a. Direct control of the labor going into production.
- b. Direct control of prices of supplies needed in production.
- c. Direct control of transportation rates.
- d. Indirect control of everything into which the originally controlled commodity enters.

Government control of coal would powerfully affect steel, for example. From first to last it takes about two tons of coal to make one ton of steel. If the government coal price were too high, the steel mills and their customers would be unduly burdened. If it were too low, it would be a subsidy given to the steel industry at the expense of the general taxpayer. The same argument applies to manufactured gas, dyes, perfumes, drugs, photographing chemicals, road making materials, tar roofing and synthetic flavors derived from coal.

It is a fact of history that there were very considerable civilizations built up in ignorance of fuel, as that term is commonly understood today. There was no coal mining of consequence in England until about the time of Edward III. There was no anthracite mining to amount to anything in this country until 1820, and the total commercial production that year was only three hundred and sixty-five tons. Settlers lived in this country from 1607, when Virginia was established, until 1820 and really knew nothing of fuel in the modern sense. Even at this day, the mountaineers of West

Virginia, Kentucky and Tennessee live directly over great beds of soft coal and burn wood in their stoves. In short, America got along pretty well for two hundred and thirteen years without any coal to speak of, but the pioneers would not have lived two hundred and thirteen days without food, clothing and adequate shelter, as the colonists of Massachusetts Bay discovered very early in their experiment.

The truth is that no commodity is "charged with public interest" to the degree that calls for public ownership and control, or that every article which public necessity, convenience or pleasure brings into widespread use is really so charged and is a logical subject for government interference. There is, of course, ample and proper ground for public regulation of such service corporations as receive peculiar and even exclusive public franchises or privileges by law (like water companies in Pennsylvania which receive monopoly rights, or even like transportation companies which enjoy privileges of eminent domain), but this principle does not apply to coal, which exists in abundance in a large majority of the forty-eight states and whose ownership is vested in many thousands of persons, a great many of them farmers who till the surface over their coal beds.

Along this particular line of thought, the lamented President Harding once said:

Something has been said, and I think opportunely said, that we want a period in America with less government in business and more business in government. If the commerce of America were always conscientious, there never would be a single excuse for government in American business.

There is a terse and striking essay upon the general subject contained in the speech of President Coolidge before the New York Chamber of Commerce, November 19, 1925. Some of the President's references on that occasion were:

While I have spoken of what I believed would be the advantages of a more sympathetic understanding (i.e., between the

people governing the country and those engaged in the general business of the country) I should put an even stronger emphasis upon the desirability of the largest possible independence between government and business. Each ought to be sovereign in its own sphere. When government comes unduly under the influence of business, the tendency is to develop an administration which closes the door of opportunity, becomes narrow and selfish in its outlook, and results in an oligarchy. When government enters the field of business with its great resources, it has a tendency to extravagance and inefficiency, but, having the power to crush all competitors likewise closes the door of opportunity and results in monopoly.

While there have been in the past and will be in the future a considerable effort in this country of different business interests to attempt to run the government in such a way as to set up a system of privilege, and while there have been and will be those who are constantly seeking to commit the government to a policy of infringing upon the domain of private business, both of these efforts have been very largely discredited, and with reasonable vigilance on the part of the people to preserve their freedom do not now appear to be dangerous.

The whole policy of the government in its system of opposition to monopoly, and its public regulation of transportation and trade, has been animated by a desire to have business remain business. We are a politically free people and must be an economically free people. It is my belief that the whole material development of our country has been enormously stimulated by reason of the general insistence on the part of the public authorities that economic effort ought not to partake of privileges and that business should be unhampered and free.

But the present generation of business almost universally throughout its responsible organization and management has shown every disposition to correct its own abuses with as little intervention from the government as possible. This position is recognized by the public, and due to the appreciation of the needs which the country has for great units of production in time of war, and to the better understanding of the service they perform in the time of peace, resulting very largely from the discussion of our tax problems, a new attitude of the public mind is distinctly discernible toward great aggregations of capital. Their prosperity goes very far to insure the prosperity of all the country.

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